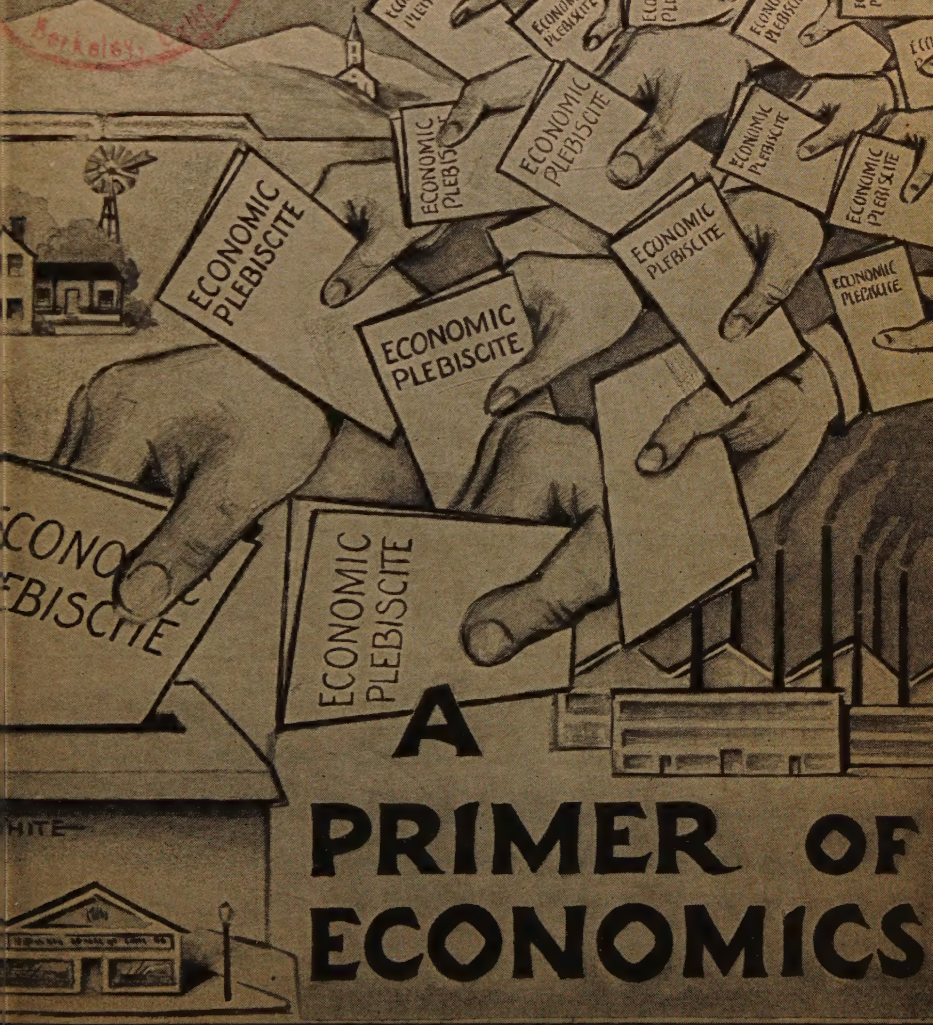


# SOCIAL ACTION

John Schor  
Belgian  
Berkeley, Calif.



**A**  
**PRIMER OF  
ECONOMICS**

# SOCIAL ACTION

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# A Primer of ECONOMICS

BY

THE STAFF OF THE COUNCIL FOR SOCIAL ACTION

OF THE

CONGREGATIONAL AND CHRISTIAN CHURCHES

## *FOREWORD*

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THERE is troubling of heart among the adherents of all religious creeds. The Jew, the Catholic, the Protestant are alike concerned that the historic religious faith, so long effective as the leaven of personal conduct, shall do its larger work in the remolding of human society. Together they witness the power of religion in individual lives, and celebrate it as a force for integrity, strength, and beauty. But they are increasingly aware that, though religious faith and commitment move mountains within the human soul, other mountains may remain untouched in the corporate life of mankind.

The Jew has expressed this social concern through many individuals and organizations within the corporate body of Israel. The Catholics, through papal utterance and through such organizations as the National Catholic Welfare Council, have attested their concern for social religion. Protestants, meeting with other branches of Christendom in the Oxford Conference on Church, Community,

and State in the summer of 1937, expressed their social responsibility in words that reflect the conviction of adherents in many lands. They said:

*"Christians have a double duty—both to bear witness to their faith within the existing economic order and also to test all economic institutions in the light of their understanding of God's will. The forces of evil against which Christians have to contend not only are found in the hearts of men as individuals, but have entered into and infected the structure of society, and there also must be combated. The responsibility of the Church is to insist on the true relationship of spiritual and economic goods. Man cannot live without bread, and man cannot live by bread alone. Our human wealth consists in fellowship with God and in Him with our brethren. To this fellowship the whole economic order must be made subservient."*

In 1934 the Congregational and Christian churches of the United States, moved by these same convictions, organized the Council for Social Action, and committed to that Council the leading of those churches in the appraisal of the social responsibilities of Christians, and in the expression of their concern in areas of tension such as war and peace, race relations, industry, the changing economic order, and the rural unrest. One of the first projects given to the Council was the conducting of a plebiscite on the issues of peace and war. Some 2,500 Congregational and Christian churches participated, and approximately 200,000 individuals expressed their convictions by balloting on those urgent questions. In 1936, these same churches asked the Council for Social Action to conduct an Economic Plebiscite as an instrument for quickening the social conscience, provoking study and discussion of American problems, and exciting greater fealty to the American dream. That second plebiscite will be conducted in November, 1938.

This handbook, prepared for the use of those churches that are participating in the Plebiscite, is also planned for the use of other groups intent upon assessing the rôle of American citizens in these

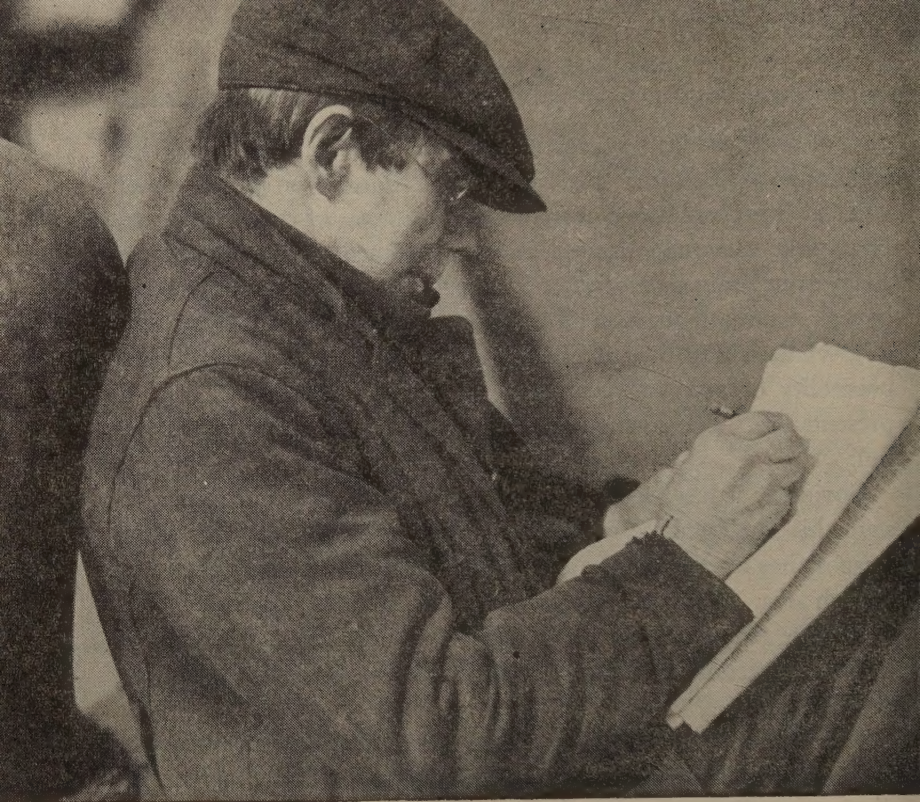
days of swift change. It presents data and opinion in six important areas of social concern. The questions to be voted on in November will in all probability be centered in these areas of current interest. Now only in tentative form, they are stated at the beginning of the chapters in order to give direction to the group discussion of these issues. A seventh question relating to the capitalistic economic system as a whole is not discussed in this primer because of the plain impossibility of assessing competing economic orders in so brief a presentation. The questions in their final form will appear in the fall.

Obviously it has been necessary, for the purposes of a primer, to strip this handbook of many details and technicalities. Our main purpose has been to clarify and interpret the central issues before us in each area. We have earnestly sought to avoid the dogmatic mood, and urge groups using this handbook to consider it primarily as resource material useful in their further thinking on the problems dealt with.

The use of the democratic method of group discussion—which a plebiscite of this nature provokes—is conducive to the development of democracy. Democracy, we believe, makes for the realization of the Kingdom of God upon earth.

HUBERT HERRING





Should the Federal  
ernment be respon-  
sible for either helping  
to a job or else pro-  
viding adequate relief?

*(Tentative Question)*

# UNEMPLOYMENT *and* RELIEF

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IN THE spring of 1938 close to twelve million Americans were without jobs. A considerable number of these had been thrown out of work by the economic recession that developed unexpectedly in the fall of 1937; most of the remainder had been without regular jobs for years, some since 1929 or 1930.

This chapter is not a study of the reasons why so large a part of the population lost their jobs. Nor is it a study of ways that have been suggested to prevent men from losing their jobs. It is simply a brief consideration of some of the ways used to keep the unemployed alive, and of several proposals for the treatment of that problem.

## The Case of Joe Davis

Joe Davis is, perhaps, as typical as any of the unemployed. Joe is 36 years old, married, and has two children—Mary, age ten, and Jimmy, who has just turned six. Between 1920 and 1925, Joe held a number of jobs, mostly unskilled or semi-skilled. At the beginning of 1926 he obtained a good job as a plasterer for a big contracting firm at \$30 a week—the most that he had ever earned. Although work was slow during the last half of 1930 and the first part of 1931, Joe held his job and got along better than many of his friends. But in June, 1931, his employer cut his staff drastically, and Joe, being among the most recently hired employees, was let go along with several hundred others.

At the end of a year his small savings had disappeared. After discouraging months he pocketed his pride—his hope to die before he would accept charity. His father and his own family needed food.



So he asked for relief. An investigator came out and asked questions. After weeks of waiting he was given a street paving job—24 hours work a week—for \$7.20. As winter came, a few direct grants of food and clothing were added.

But the growing children needed clothes. All credit at the stores was used up. Finally, in December, 1933, the Civil Works Administration of the Federal Government gave him a job at \$15 a week. For the first time in many months Joe's family had all that they wanted to eat; they were able to buy a few clothes, and even go to a movie now and then. But this condition did not last long. By March Joe was cut to \$12 a week, and a few weeks later he was transferred to the newly established Federal Emergency Relief Administration, where he was cut to \$8.80—which was the amount estimated to be enough for his family of four. This lasted until the fall of 1935, when Joe was taken on the Works Progress Administration at a "security wage" of \$52 a month, which was later raised to \$60.

Meanwhile, Joe never ceased trying to find regular work. In the spring of 1937 he finally landed a job with his old employer. It paid only \$22 a week, but that was better than a WPA job. After six weeks the job was finished, however, and there was no other in prospect. Joe tried to get back on the WPA, but the WPA was in the midst of pruning its rolls. As a result, Joe had to appeal to the local relief authorities, who agreed to put his family on home relief. This meant only \$7.50 a week, and Joe was told he was lucky to get this, as the city was in bad financial straits as a result of the relief problem.

Now it is 1938 and Joe is still somewhat bewildered by it all. "All I want," he says, "is a job."

Joe Davis has been shuttled around. For a time (1) he lived on his savings. Half-starved, he (2) obtained work relief from the city. Then he obtained (3) direct relief from the state, was employed by the Federal Government (4) through the CWA, and (5) the FERA, and for nearly two years (6) he enjoyed the relative security of a WPA job. For six weeks he had (7) private employment, and



(8) is now once more back pretty much where he started, with a pitifully inadequate grant from the municipal relief authorities. "It seems, sometimes," he says, "as if no one really knew what to do with us unemployed."

Joe is right in asking why so many different forms of treatment have been used during these years. Possibly we cannot blame our political leaders for failing to develop an adequate program for dealing with this problem in the early months of the depression. They did not think the depression would last so long. In spite of other crises, unemployment was not even recognized as an independent problem. Like slums, dirt, or drunkenness, it belonged on the other side of the railroad tracks. If a man was out of work, it was because of incapacity or perversity.

## How the Problem Has Been Met

Now, at last, we know better. Studies have shown that comparatively few of the unemployed can be called idlers, incompetents, or ne'er-do-wells. Few of them ever accepted charity before the depression. They have come from all walks of life. Although a majority are manual workers, a large and increasing proportion have been professional men and white collar workers. Yet, if we are honest with ourselves, we will have to admit that we are not much closer to solving our problem than we were in 1929.

Contrary to the popular impression, unemployment did not start with the Wall Street crash in 1929, but was widespread throughout the prosperous twenties. There were two million unemployed in 1927, and nearly three million without work in the spring of 1929. It is more than possible that the United States will have a large number of more or less permanently unemployed persons for many years to come. In April, 1937, the WPA announced that this "permanently jobless" group would probably be about 4,000,000. WPA

Director Harry L. Hopkins expressed the view that even if industrial production rose to the 1929 level in 1937, the number of unemployed would be between 6,500,000 and 7,500,000.

## **First Steps in Relief**

During the early days of the crisis the whole responsibility for the unemployed was placed on private charity and local relief funds. Then more and more of the burden fell upon cities and counties, and these units found themselves faced with bankruptcy. Taxes were raised, but revenues declined as more and more persons found themselves unable to pay taxes.

By 1931 it became clear that the cities and private agencies combined could not meet the need. Several states, beginning with New York, took steps to place all relief on a unified basis, supported at least in part by state funds.

But as unemployment grew, it became apparent that many of the states in which the need was the greatest were unequipped to deal with the problem satisfactorily. The wealthier states provided fairly adequate grants for the unemployed who had exhausted all their resources. But in many other states relief conditions were incredibly bad. Throughout the South, relief grants averaged less than \$10 a month per family. Even with these low payments, many of the states faced bankruptcy.

## **Beginnings of Federal Aid**

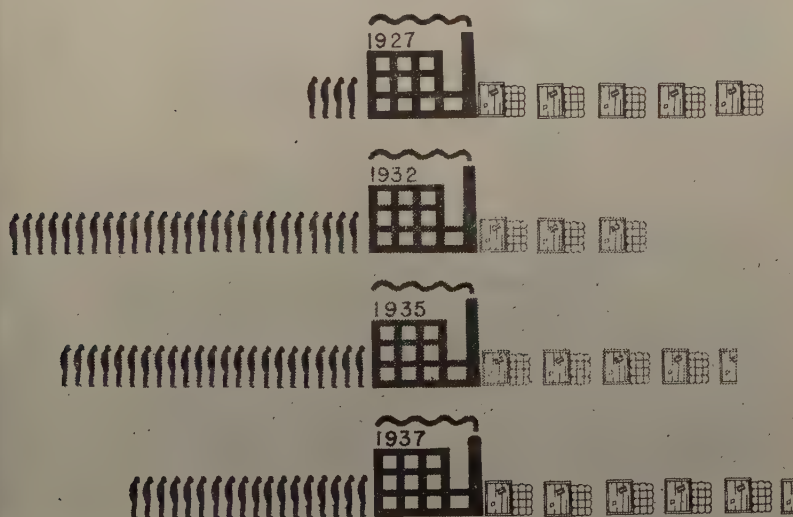
It was under these circumstances that the Federal Government stepped in. Despite considerable opposition from those who feared that a federal "dole" would have a demoralizing effect, Congress passed a law in July, 1932, authorizing the Reconstruction Finance Corporation to lend \$300,000,000 to the states for relief purposes.



This, however, proved only a drop in the bucket. As the depression wore on, the number of unemployed who had reached the end of their resources grew rapidly. More and more of the states found themselves unable to raise funds for relief.

In March, 1933, the FERA was established, with an appropriation of \$500,000,000 to be used for grants to the states. Half of this was advanced to the states on the basis of one dollar for each two dollars raised by the state, and half was set aside for special grants to states whose financial status was such that they could not match the federal appropriation.

**1927-37**      **PRODUCTION INCREASED 4%**  
**BUT UNEMPLOYMENT INCREASED 350%**



Each man represents  
500,000 unemployed

Each symbol represents 20%  
of 1927 industrial production

In the winter of 1933-1934, the Roosevelt Administration supplemented its relief program by establishing the CWA, which broke immediately with previous relief traditions. The CWA provided regular work at reasonably adequate wages to four million unemployed, only half of whom were taken from the relief rolls. Owing to criticism from employers, particularly in the South, where its wages of \$14-\$15 a week were often higher than those paid in private industry, the CWA was abandoned in the spring of 1934. Work relief under the FERA was substituted. Under this scheme wages were paid at the prevailing rates, but no man was permitted to earn more than his family's budgeted needs.

## Birth of the WPA

Another fundamental change in policy occurred in 1935. The new program was threefold: (1) The "unemployables"—those who would be dependent on charity or relief even in normal times—were passed back to the states and local communities; (2) the remainder—the unemployed who were special victims of the depression—were, at least in theory, absorbed by the WPA at a monthly "security wage"; and (3) protection was created by an insurance plan for future victims of new unemployment and old age through the Federal Social Security Act.

At its peak, early in 1936, the WPA employed more than three million persons. In the summer of 1937, however, its rolls were cut to approximately 1,450,000, though some eight or nine million unemployed remained. Despite an estimated increase of at least three million in the number of jobless between October, 1937, and February, 1938, the WPA had a total of only two million on its rolls at the latter date. At no time did the WPA *actually* take care of all the "employables." In some instances, as many as half of the men on the local relief rolls have been "employable."



The WPA has been criticized on many counts.

1. Those employables who failed to secure or hold WPA jobs believe "politics" may have had something to do with the employment of the others.

2. Social workers have said the "security wage" is neither a fair wage for the work done nor adequate for the support of large families.

3. Legislators have pointed out that "home relief" is cheaper, since no expense for materials is involved.

4. Employers have occasionally objected strenuously to the fact that the WPA wages were either the prevailing wage or so close to it that men had no inducement to try for private employment. (To which the WPA workers answered that once they lost their WPA jobs for a few weeks of private employment, they could never get back on the WPA.)

5. Students of labor economics have pointed out that the labor market can be disorganized as a result of both home relief and prevailing wages in relief work.

6. Other legislators have raised the question of whether "home relief" is demoralizing the workers.

## **Present Types of Public Assistance**

At the beginning of 1938 approximately fifteen million Americans were dependent on one of four forms of public assistance. These were divided as follows:

1. Approximately 2,223,000 were on the rolls of the WPA and other works projects. Figuring by families, this accounts for approximately 7,500,000 persons. The average wage per WPA worker was less than \$55 a month.

2. States and local communities provided "general relief" to approximately 1,800,000 cases. This provided assistance for about

5,400,000 persons. The average payment per case was slightly less than \$25 per month. The majority of persons on the relief rolls were there because of unemployment, but substantial numbers were dependent because of sickness, old age, disability, death of the family breadwinner, or other causes. These relief grants have invariably been below all estimates of real family needs. In fifteen states at some time within the past four years the average monthly allowance has been less than \$10 per family.

3. A total of approximately 2,100,000 persons were receiving state pensions for the aged, blind, and dependent children. An average of \$19.04 per month was paid each old person, \$25.77 to each blind person, and \$31.08 to each family of dependent children.

4. Preparations were being made in 1938 for the initial payments of unemployment insurance in twenty-one states. But only workers who have been employed for extended periods within the last two years are eligible. The payment is less than \$15 per week.

There are many persons today who believe that society, either through the Federal Government, the state, or the municipality, must assume financial responsibility for the unemployed and other victims of social disorganization. But there are at least two approaches to the problem.

First, many persons who are alarmed at the growing cost of relief believe that it is necessary to have drastic safeguards to make sure that the recipients are "worthy." They feel that the unemployed should be made to work for every dollar's worth of relief, and that the wage scale should be materially lower than that of private industry, so that the men on the relief rolls will have every inducement to keep searching for a regular job.

The second approach is taken by those who view the problem primarily on humanitarian grounds. They would impose no restriction save that of need, and insist that every American is entitled to an adequate standard of living, and should be given relief according to his needs.



Opinion differs also on who should administer relief. There are those who favor placing relief back in the hands of the states and local communities on the ground that these governmental agencies will guard more carefully against impostors. On the other hand, the executives closest to the problem are almost unanimous in advocating that the responsibility for relief be assumed either by the Federal Government alone or by the federal and state governments jointly, which have tax sources denied to the local governments. Only by such methods, they insist, can the cost of relief be paid.

### Some Basic Principles

In arriving at an integrated national program of security and relief, there are certain general principles that will command a very large degree of support.

1. Relief must be adequate. It is not enough that Americans should not starve. They should be assured at least the minimum essentials of health and decency.

2. Great care should be taken to protect the self-respect of the recipients. To this end as many as possible of the risks should be taken care of by a system of social security under which assistance is rendered as a right rather than as charity.

3. There is need for a unified, national program. The day of complete local control is past. The exact relationship between local, state, and federal responsibility remains to be determined; but it may be assumed that the Federal Government should exercise financial responsibility, whereas administration may be decentralized in part.

4. The whole program should be administered with as little cost to society as is consistent with the above standards.

5. Administration of the relief and security programs should, as far as possible, be taken out of politics and placed in the hands of trained experts.

## Possible Lines of Action

In order to carry out these principles, the American Association of Social Workers has suggested a plan under which the federal and state governments would jointly undertake—through federal grants-in-aid—to provide assistance to all families in need. Where states are unable because of poverty to assume a fair share of the relief burden, the Association advocates a special equalization grant by the Federal Government.

But if relief is to be more than a glorified sort of charity, aimed solely at relieving distress, some authorities would go much further in the direction of a comprehensive program of social rehabilitation. They see the goal as that of providing productive employment for every man and woman capable of such activity. This would necessitate development of a comprehensive employment service, with provision for training youths and misfits for useful jobs. It would also involve the development of a permanent system of public works to supplement private industry.

To accomplish its purpose this would have to be on a larger scale than anything yet undertaken. In order to avoid the evils of "boondoggling" and "made work," this public works program should be entirely separate from the relief program. Eligibility would be based on the skill of the worker rather than his need. Wages and conditions of work should be at least as good as those prevailing for similar work in the locality.

No form of relief or social insurance is a substitute for a healthy economic system. But if safeguards were erected so that no individual need go without the necessities of life, merely because of personal misfortune or maladjustments in our economic order, a long step will have been taken toward eliminating one of the major sources of human misery.



## WHAT WOULD YOU DO?

1. John Smith has been on relief for two years. Occasionally he found employment, but only for a short period. When again unemployed, he found it a long and tedious process to get back on relief. Now he has another job offered him. For how long, he does not know. Should he take it? Should he choose the security of relief?

2. Bill Brown is head of the local carpenter's union. Many of the members are unemployed. A contractor is offering work at much less than union rates. For some union members it is a choice between taking such jobs and going on relief. Should the labor leader insist on the higher wage rates?

3. Mrs. Jones is a housewife. In her town there are many girls and women unemployed. Wages for maids and mother's helpers have dropped to almost nothing. Mrs. Jones finds that now she can employ a woman in her home. Should she hire a woman at this low rate? Should she require as many hours of labor as were given at the previous higher rate?

4. You are on relief. You hear the relief payments are going to be cut. Would you protest? To whom? Would you parade or picket the relief bureau? What else might you conceivably do about the cut?

5. As a churchman you want to see that the poor are provided for in some fairly adequate way. At Thanksgiving and Christmas your church gathers baskets for the poor. But you think such a practice helps the consciences of the givers more than the morale of the recipients. What would you recommend in place of baskets?

## *WHERE TO BEGIN*

1. Interview the public officials who are administering relief in your community. Secure from them such information as: number of persons on relief, amount of relief payments, length of time persons have been on relief, effect of relief load on the tax rate, provision for medical care, clothing, etc.

2. Interview the local administrator of the WPA, the head of the Workers Alliance or any other organization of the unemployed, the chairman of the Community Chest and of other private welfare organizations. Invite them to address your group.

3. Work out, with your group, a regular family budget, and compare your figures as to what is needed for rent, food, clothing, recreation, etc., with what is available to those on relief.

4. Clip newspapers and collect all the information you can secure about the relief problem.

5. Hold a "hearing" to which are invited local officials administering relief, district nurses, school teachers, ministers, the unemployed, to give testimony about the relief situation. (The Council for Social Action can give you detailed information about this dramatic educational method.)

## *QUESTIONS TO THINK ABOUT*

1. Should unemployed workers be provided with more than just the cash needed to keep them in food, clothing, and shelter?

2. Since funds for unemployment relief have to come, sooner or later, from taxes that we all pay, how far should the community go in providing "adequate" relief?

3. Which of the two chief present forms of relief should we favor: (1) home relief, which is cheaper; or (2) work relief, which is more expensive but which produces some social assets? Is a combination of the two the best method? Have you found either of the two to be demoralizing? Can you suggest ways of avoiding that defect?

4. How can local, state, and federal relief administration be kept free from politics? What is the situation in your own town? What groups are represented on your local relief committees? What provision is made for interested citizens to secure contact with relief problems?

5. Do you know of any instances where the unemployed have taken advantage of the relief set-up to avoid the necessity of working? Do local business men find it difficult to hire men on relief?

For suggestions on how to conduct a group discussion, see pp. 91-92.





Should the Federal  
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for the level of agri  
tural prices?

*(Tentative Question N*

# FARM PRICES

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SHOULD dairy and wheat farmers, beef and hog growers and others produce less than they are able to as long as people in the cities need more milk, bread, and meat? And if so, how much less? Does unlimited production mean disaster to the farmers themselves? Does it follow that limited production means prosperity for them? Can the farmers by voluntary co-operation save themselves from bankruptcy, or must they call in the government to help them?

Questions such as these are being asked not only in rural communities but in the cities also. They enter into political campaign issues and are expressed in laws passed by Congress.

A farmer writes: "We have two boys and two girls. They're grown up. Two went to the city for jobs, but the jobs didn't last long. They're all home now. One of the boys can help on the farm. There isn't any place for the others on our farm or on any other farm in this community. There aren't any jobs in the village stores. In the last ten years my cash income for living has been \$900 in good years and almost nothing in poor years. I have managed to pay the interest on the mortgage but nothing on the principal. There isn't enough money to support six people. What can we do?"

## The Farmers

There are about fifty branches of farming, and the problems of each branch vary somewhat from the others. Cotton, wheat, dairy farming, cattle and hog raising, rice, vegetable, fruit growing are among the main branches. Sometimes they are in competition with one another. When meat costs are high, people eat more bread. Oranges compete with apples; tomato juice with orange juice.

In 1935 there were 6,812,350 farm families, with a total farm population of 31,801,000. This was one-fourth of the whole nation's population.

Farms owned by farmers numbered 3,899,091, but four out of ten of their farms are mortgaged, and these four farms have an average mortgage of 50 per cent of their value.

Farmers are losing their farms at the rate of 40,000 a year. In 1880, only one farmer in four rented his farm. In 1935, four out of ten rented—were “tenants” rather than owners. The status of these tenants is now the same as that of city laborers, who have only their tools and their skill to sell. They do not own a stake in the country.

The “sharecropper” is in a stage between a renter and a laborer. He owns a few tools and a mule, and receives a portion of the crop for his labor. He is staked to food, and sometimes seed, by the landlord, and rarely has any cash in hand. There are more white than Negro sharecroppers in the South. The family income of this group usually is less than \$300 per year.

There are about 2,500,000 farm laborers. As a class they are the poorest paid workers in the United States. While their pay is, of course, higher in some sections than others, they average (fall of 1937) \$36.71 per month without board, \$25.51 with board. Twelve sampled areas showed that three-fourths of them received less than \$400 cash a year.

## **The Money They Make**

In 1936 the farm population received 10.5 per cent of the national income in cash. This does not include, of course, the food they raised themselves or the shelter they owned. Because of these items, the following cash figures, if taken alone, are somewhat misleading in any comparison with industrial wages, for example.

People who owned their farms received on an average the follow-



ing returns each year, *after* they had paid for running expenses, but *before* they had paid interest on loans and mortgages.

	RETURNS PER OWNER	SAMPLE INTEREST ON DEBT
1929	\$1,298	\$199
1930	538	199
1931	154	196
1932	66	173
1933	516	160
1934	624	145
1935	817	132
1936	823	203

## The Uncertainty of the Job

The farmer plants in the spring in a fog of uncertainty. He does not know how much land his competitors—the other farmers—are planting to his crops. He does not know whether drought or pests will ruin his crop. He does not know what the foreign market will be. He plants, and hopes for high prices on the sale of his crops. He hopes also that the prices of agricultural implements and other non-farm products—which he must buy—will be low.

The uncertainty of the farmer's job can be seen at a glance in the table on p. 24. The column on the left shows the way farm prices have risen and fallen. The column on the right shows the rise and fall in the value of the farmer's crops in terms of the fertilizer, seed, and other supplies that he must buy.

Farmers have been far less able than businessmen to keep prices from fluctuating violently. For example, between 1929 and 1932 nine major industries reduced their production 59 per cent, but kept their prices within 16 per cent of the 1929 high point. But farmers reduced their production only 6 per cent in the same period, and their

prices dropped 63 per cent. The "law of supply and demand" worked for industry but not for the farmer. Industry had some control over production; but it was impossible for six million individual farmers to produce according to the visible demand.

	INDEX OF FARM PRICES (1909-1914 Average = 100)	INDEX OF PURCHASING POWER OF FARMER'S PRODUCTS
1929	146	95
1930	126	87
1931	87	70
1932	65	61
1933	70	64
1934	90	73
1935	108	86
1936	114	92
1937	121	93
1938 (January)	102	81

## Changes in Farm Markets

Another thing the farmer cannot foretell accurately is the change in foreign markets. Partly because of the world depression and the tariff wars which accompanied it, there was, after 1929, a great decline in our exports of food products. In 1929 we exported 154,000,000 bushels of wheat; in 1936 only 19,000,000 bushels. In 1929 we exported 275,000,000 pounds of bacon and ham; in 1936 only 46,000,000 pounds. We sold abroad in 1929 some 7,418,000 bales of cotton; in 1936 only 5,409,000 bales. This drop in—and possible permanent loss of—the foreign market led the farmers' groups to demand from the government a larger degree of assistance than they had been receiving before.

This demand for governmental aid was accentuated by the simultaneous collapse of the domestic market—affected by the inability of

the city workers and unemployed to purchase as much farm products as before. As wages dropped in the cities, wheat went down in Kansas. But here again the farmer, planting in the spring, could not foretell what the condition and wages of the city workers would be in the fall, when the crops were harvested.

## **Farmers' Demands for Government Help**

The farmer, faced not only with the uncertainty of drought and pests, but by the fact that his income was determined not only by production but also by prices—and prices that fluctuated violently for reasons beyond his control—has turned to the government for help.

In 1933 there were tremendous oversupplies in the market, forcing prices down below production costs. A huge volume of farm debt was in default. The farmer's income was only about one-third of what it was in 1929. The farmers, usually conservative, wanted drastic changes in their situation. In a few instances they took vigorous action. They defied officers of the law charged with evicting them. Farmers' holidays were declared. Milk trucks were upset and other measures taken to halt the marketing of farm products at low prices.

Part of the trouble can be traced to the unusual demand for farm products during the World War. Prices soared. The farm income went up from \$6,975,000,000 in 1913 to \$16,935,000,000 in 1919. The value of farm acreage increased 70 per cent from 1913 to 1920. Much "marginal" land that would not ordinarily have been used was brought into production. Millions of acres of grazing land were converted into farm land. At the end of the war, our farm plant was far greater than what we needed. Foreign markets began to drop almost immediately, and dropped severely after we stopped loaning money abroad in 1929.

The farmers' demands for government help resulted in 1929 in



the Agricultural Marketing Act, which established the Federal Farm Board. This Board had a revolving fund of \$500,000,000 and attempted to hold up the prices of wheat, cotton, wool, dairy products, livestock, tobacco, and some other commodities through loans to co-operatives and through open-market operations. Although prices were held up a little, the products acquired had to be put back on the market later or given away, and the loss was about 69 cents on every dollar.

### **The Administration's Program**

Still under the pressure of various farm organizations, the new administration in 1933 tried a different way to help the farmer. Instead of buying up surpluses which depressed the future market, it sought to avoid these surpluses by restricting production. It did this at a time when many city people and many farmers were living on scanty relief rations, and was bitterly criticized for its program. The government sought to apply the principle of industry to agriculture—of restricting output when production ran ahead of consumption. The farmers were to receive benefit payments on land voluntarily withheld from cultivation. These payments were obtained by processing taxes on the crops raised. The very severe drought of 1934 helped in this program of raising prices. It took practically all the surplus commodities off the market.

At once these questions were asked: Shall the farmers produce all they can, with the chance that a drought or pest plague will bring production down to the amount that could actually be sold? Or shall the restriction and benefit system be continued? In 1935 it was decided to modify the restrictions. Black rust hit the spring wheat, reducing that crop about 35 per cent, and the cotton crop was reduced by unfavorable weather. In 1936 the Supreme Court decided that the processing taxes, which paid for the benefits, were unconstitutional. The invalidated law was replaced by a milder form of crop control based upon the necessity for soil conservation. That

year (1936) another severe drought cut down crops and raised prices. Gross farm income went up from 8.5 billion dollars in 1935 to 9.5 billion in 1936.

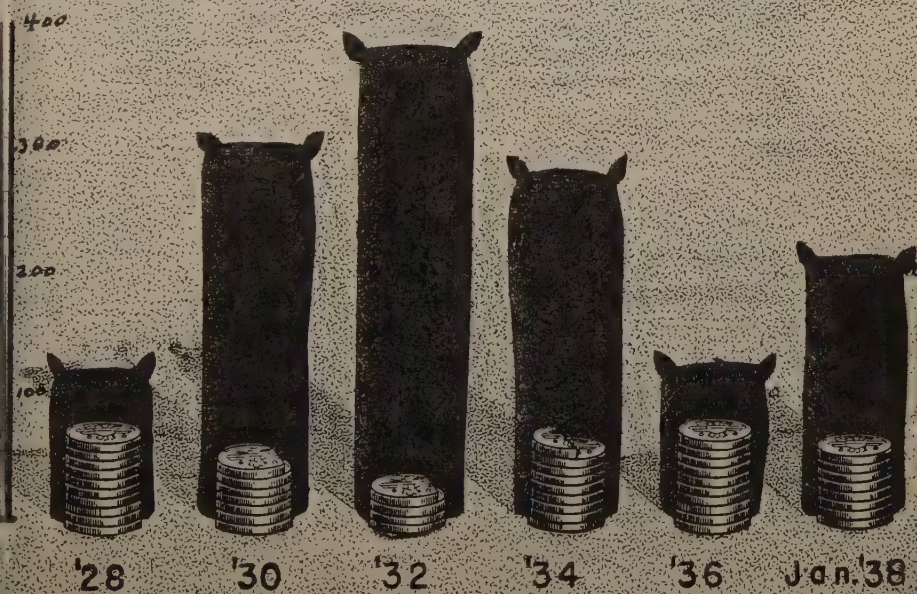
In 1937, with a combination of less control and favorable weather, crop production shot up and prices dropped. The cotton crop, particularly, raised questions about government control of crops. With an acreage slightly below normal, the crop was 3,000,000 bales higher than normal. Government experts readily agreed that it was impossible to control the amount of a crop except within wide margins.

The government tried to hold cotton prices up, offering loans to

# WHEAT

the bigger the surplus  
the lower the price

Carry-over,  
million bushels



cotton farmers of from 6 to 9 cents a pound. If the price of cotton went beyond the loan, the farmer could sell it at the higher price, repay the government, and pocket the difference. In addition, the government paid the growers a bounty up to 3 cents on the output of 65 per cent of their "base" acreage, if they co-operated with the farm control plan.

At the end of 1937 the farmers' organizations saw large surplus carry-overs on hand not only in cotton but in wheat, corn, and other products. Many of them again asked for continued help from the government to protect the farmer—to some extent, at least.

Congress in 1938 met these demands with a new Agricultural Adjustment Act. It was attacked on the ground that many fundamental decisions had to be made by the Secretary of Agriculture and that, consequently, too great power was vested in him.

This act apparently has the support of the farmers. In referenda, large majorities supported it. In the cotton states the farmers had to decide whether they thought it best to try to hold the crop to 10,129,000 bales (instead of the 18,700,000 produced in 1937), and for that purpose to reduce their acreage from the 33.7 million that grew the big crop of 1937 to 23.6 million acres. They voted "yes," 92 to 8, and three-fourths of all the cotton farmers voted. Producers of dark tobacco voted 80 per cent for a similar plan. Producers of flue-cured tobacco voted 86 per cent in favor.

## **Benefits and Penalties**

There are so many provisions to the 1938 act that it will have to be studied very closely by everyone interested. Its significance will not become entirely clear until after several administrative orders have been issued, particularly those determining the "parity" in each crop.

One of the major interests of the farmers is to remain independent. They do not want to be regimented. Therefore, the penalties in the



present act are of interest. The government does nothing about quotas for each farmer until after two-thirds of the producers vote in favor of the plan. After they vote in favor, as they have in cotton, then the objecting or minority farmer is still free to plant as much as he wants to. However, he loses certain advantages. In cotton, for example, the man who is allotted 20 acres and produces cotton on 25 acres:

1. Loses all of his soil-conservation benefits.
2. Loses his right to secure a government loan on any of his cotton.
3. Has to pay a tax of 2 cents a pound on all the excess cotton grown on the extra acres.

However, he is not deprived of the right to:

1. Sell all the cotton grown on the 20 acres without paying any tax.
2. Sell without any tax all the cotton grown on the 25 acres, provided it does not amount to more than the normal production on the 20 acres allotted to him.

Will the independently minded farmer consider restrictions such as these imposed upon him by the action of two-thirds of his fellow-producers to be the same as "regimentation" by the government?

If a farmer objects to these governmental and producer actions, can he propose any other workable way to keep the farmers from losing money?

## Other Methods

1. *Rugged Individualism.* What hope is there in these days for the individual farmer to act entirely by himself, alone? If there were no government loans to fix prices and no producer referenda on crop-quotas, could the individual wheat farmer, in the country as a whole, make a living? If he could not do it in the West, could he do it in New England? Could he do it only if he had non-farm sources of income?

2. *Co-operatives.* Can farmers keep prices stable and make a living income through the co-operatives? Farmers, usually considered intensely individualistic, are the only group in the nation who have joined co-operatives in significant numbers.

Producers' marketing co-operatives attempt to secure a better price from the wholesalers or middlemen. They can exert a very considerable influence here to protect the individual farmer from being forced to sell in the lowest market. Consumer or purchasing co-operatives attempt to make the dollar stretch farther when the farmer goes to the store. Can either of these methods stabilize farm prices at present, when they touch less than 2 per cent of the nation's business? Can they do it as long as any single large minority stays out of the farmers' co-operatives?

3. *Federal Aid Other Than Price-Control?* How much would it help stabilization of the whole farm situation to restrict the government to certain forms of farm help?

For example:

1. Loans to farmers at very low interest?
2. Increased benefit payments for soil conservation?
3. Additional funds for rural education?
4. Additional funds for rural health?

The farmer is heavily taxed even when his property brings in no net cash income. If his taxes could be lowered by funds obtained from other sources through the state or federal governments, would this action help stabilize the whole farm situation? How much?

4. *Make Farming a Public Utility?* Many farmers demand a fair return on their investment and cost of production. According to the public utility theory of farming, the government would pay John Jones 50 cents for his wheat and Thomas Roberts \$1.00 per bushel, because the cost of production varies from farm to farm. The average cost might possibly be about the same as the market price at present. In years when prices were low, the farmers would be

getting far more than the market. The public utility theory of farming would involve issuance of licenses to distributors and to farms, and determination of the prices at which products are to be sold, just as the state and federal governments now control these factors for the light and power companies. It would involve a valuation of each farm.

How much would this plan do to stabilize farm prices and production? Would it be a more objectionable "regimentation" than the plan now in operation?

5. *Should the Government Take Over Distribution?* Farmers write in: "Our trouble is largely with the middlemen. They get more than their share of the price of our crops and livestock. They speculate in our welfare. Only the government can take over their function and get the food from the farmers to the city people at cost."

6. *Farmer-Labor Co-operation for Stability?* There is a close connection between the welfare of the farmers and the workers in industry. The fate of one group affects the other very directly. They have a common interest also in reducing the costs of distributing food. It is to the benefit of both farmers and workers that each should have high purchasing power. Can a common ground be found on which they can work together to prevent depressions both in industry and in farming? What form should such joint co-operation take?

7. *The Present Plan?* The argument for the present plan has been put as follows: "The Federal Government should have limited guidance and direction to stabilize prices and influence the volume of farm production, along with democratic voluntary co-operation. This means that producers of a given commodity shall have the right to vote for or against any production or marketing plan that government experts may submit after a study of the total situation. National action has become a necessity. Farmers working by themselves are nearly helpless."



## WHAT DO YOU THINK?

Read the following statements and check each one as true or false:

	TRUE	FALSE
1. A larger proportion farmers own their land today than in 1880.	.....	.....
2. There are very few farm people on relief.	.....	.....
3. Farmers belong to co-operatives in larger numbers than members of any other economic group.	.....	.....
4. The "hired farm hand" is the poorest paid worker in America.	.....	.....
5. The farmer's income is dependent on the export market for his products.	.....	.....
6. When farm prices drop, farmers tend to cut production.	.....	.....
7. Farmers are more individualistic than other social groups and therefore tend to oppose government interference in farm production.	.....	.....
8. The farmer remains poor because the general purchasing power of Americans is low.	.....	.....
9. Although the farmer's cash income is low, he is more than overcompensated for this lack by health, educational, cultural, and religious facilities beyond those available to city workers.	.....	.....
10. Farmers account for one-fourth of the American population.	.....	.....

## WHERE TO BEGIN

1. A city group should endeavor to interview a few farm people to learn from them the special local difficulties under which farmers live and what they believe should be done about the farm problem.
2. A rural group could increase its factual knowledge of the local situation by conducting a Survey of Rural Community Problems (as described in detail in the Rural Life Study Packet listed on p. 95).
3. Follow in the press and radio the political discussions of the farm problem. List the farm leaders and politicians who favor various proposals, such as (1) no governmental action, (2) purely voluntary co-operative action, (3) the present legislation. The National Farm and Home Hour is heard daily on weekdays at 12:30 P.M., E.S.T., over the NBC Blue Network.
4. Ask people now living in towns, but who were born on farms, to state the main changes that have taken place in the farm communities they know best.
5. Secure reports and bulletins on the local situation from the county extension agent, and write for free copies of the current "Discussion Series" pamphlets of the Agricultural Adjustment Administration, Washington, D. C.

## QUESTIONS TO THINK ABOUT

1. Do you believe that the farmer could work his problem out by himself? If he needs further help, to what groups or agencies should he look?
2. Is it a cause for national concern that the rate of tenantry has increased in recent years?
3. Is democracy in any way peculiarly dependent upon the status of the farmer?
4. Is the average farmer better or worse off than the average worker?
5. Do farmers and workers have enough common interests that would warrant their organizing a Farmer-Labor political party?
6. Are farmers justified in cutting production when many Americans need the cotton, wheat, and pigs that could be raised?



Should workers be  
encouraged to organ-  
ize into labor unions?

*(Tentative Question No. 1)*

# LABOR UNIONS

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THE DIFFICULTIES and hopes of the labor union movement have been frequent front-page news during recent years. They may be expected to continue to be of great interest. The unions are trying to secure better wages, shorter hours, better working conditions. This brings them into conflict with some employers. It brings them into conflict with some unorganized workers. In addition, there are disputes among the unions as to how to proceed. In some cases, the unions are participating in political life. All these things make news.

## Causes for the Rise of Unions

The unions have grown over the years for many reasons, some of which are quite important to their future:

1. Low wages.
2. Long hours.
3. Lack of security because of arbitrary dismissals.
4. The contagion of example—union men earning more than unorganized men.
5. Open recognition by Congress and the President of the right of men to organize and of the social importance of many union objectives.
6. The anti-union tactics of some employers.
7. The inequality in the distribution of the national income.

Many other factors played a part. Among them was the fact that



industry was becoming larger, more concentrated, more impersonal. A man's father may have worked in a small shop with twenty others, all of whom knew each other and who were known personally by the employer. The man himself today may be a number in a factory employing 10,000 workers. In 1933, there were 69 corporations so large that they received 30 per cent of all the income reported by corporations in that year.

In addition, the machine has been coming in. Mechanical horsepower in industry increased from 2.11 h.p. per wage-earner in 1899 to 4.86 h.p. in 1929. Figures from steel union sources indicate that a new mechanical process in that industry (the continuous hot-strip mill) reduces required man-power by 85 per cent. Ford engineers, even in 1922, estimated that 79 per cent of their employes could learn their jobs within a week.

All this has had several effects. It made the skill of craftsmen (mechanics) of less value. Relatively unskilled men could run machines, at lower wages. The machines also threw many people out of work, temporarily. When they sought new employment, older men stood somewhat less chance than before, for their skill was not so important as the strength of the younger men. A side-effect of the increase in machinery has been its contribution toward the growth of cities. In 1880, one-quarter of all Americans were living in cities of 2,500 population or more. By 1930, half of America was living in such cities. Another effect of the increased mechanization has been that for many men the job has become a monotonous grind. Their job becomes far less significant to them than their life after work-hours. (Contrast this with a doctor's or engineer's or minister's job.)

These factors explain some degree of unionization. It should be borne in mind, however, that this insecurity of employment has also raised a barrier to unionization in the minds of some workers. They do not wish to risk the security of their jobs, as they see it, by having to participate in a strike, if one should be called.

## Factors Delaying Unionization

1. Many employers have been convinced that the unions, by demanding higher wages, would put them at a handicap with their competitors, and they therefore have worked against unionization.

2. Until within the last few years, there have been no effective laws protecting workers in their right to unionize, or restraining employers from interfering with that right. It has been estimated that 1,000,000 workers were prevented contractually from joining labor unions in 1930. This was done by means of "yellow-dog" contracts, in which a worker had to agree that during his period of employment he would not join a union. (This was later outlawed.)

3. Some employers and some workers believe that unions are radical in intent, and that sooner or later the organized employee will interfere with management to the detriment of the company.

4. The fact that strikes are sometimes accompanied by violence on one side or the other, or on both sides, makes some workers and employers hostile to unionism. The "sit-down" strikes may have had such an effect.

5. The fact that some few labor leaders have been found to be using their power to call (or call off) strikes to make money for themselves—as racketeers—has had a similar effect.

6. The quarrels between various unions (jurisdictional disputes) over the distribution of work by employers among the unions, especially in the building trades, has antagonized some workers.

7. Somewhat the same effect has resulted from the dispute, accompanied by attacks on personalities, between the American Federation of Labor (an association of craft unions) and the Committee for Industrial Organization (an association of industrial unions, taking in all crafts in an industry as well as unskilled laborers) over the best way of unionizing the workers of the nation.

Is the history of labor unionization simply “a struggle between fear and hope,” as some say?—the fear of some men that standards of living will not be improved by organization and the hope of others that by united action much can be gained? Is the labor movement a great democratizing force, experiencing the growing pains of every innovation in human affairs? Or, again, is it simply the attempt of one group to secure a somewhat larger share of the national income, after which everything will again quiet down?

Labor unions have had a long, hard battle, and some of the veterans of its struggles speak like the veterans of a war. In the process of organizing, some men have been killed by the companies or by government men or by other workers. Other union members have lost their jobs, and have been blacklisted. Labor unions feel that they have been fighting an enemy—ruthlessly determined to crush everyone who stood in the way of the autonomy of industry. Some employers feel that they, too, in opposing unionization, have been opposing a violent enemy.

## **The Recent Rise in Unionism**

By 1931, there were 3,300,000 unionized workers in the nation. By 1937, there were 7,500,000. What caused this recent increase? In 1931, with millions of unemployed workers competing with one another, wages were going down. There was little hope of increasing them. Men saw no point in joining the unions. In 1933, the situation had changed.

1. Wages began going up, and minimum wages were written into the codes of the National Recovery Administration.

2. Employment increased, and there was less fear that jobs would be lost if workers struck. (The rapid increase in unionization stopped in late 1937, when the new depression began.)

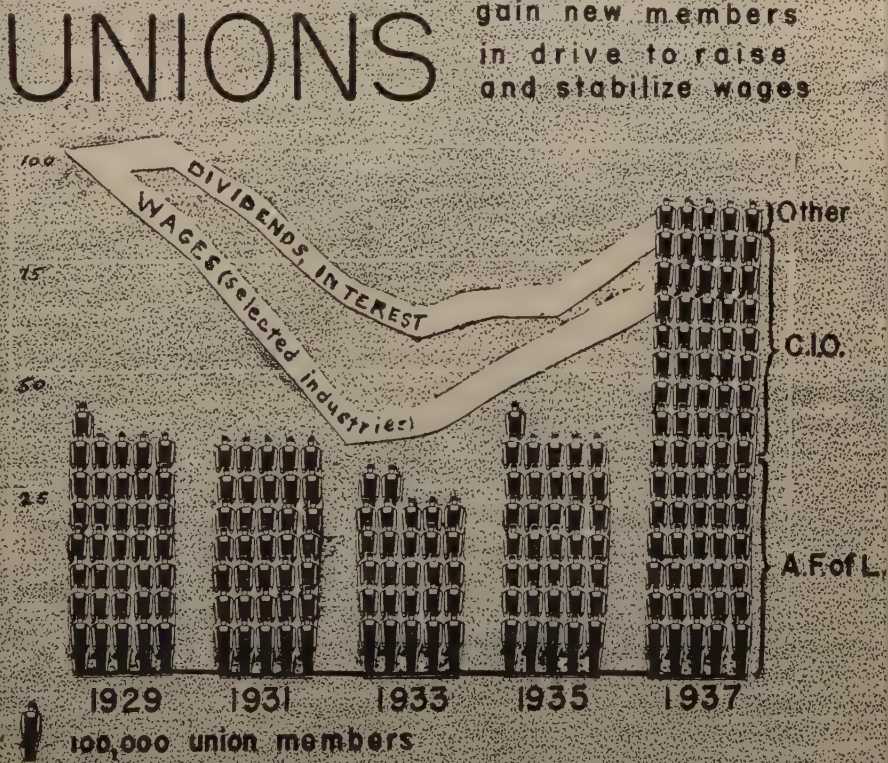
3. The NRA codes all contained a clause (Section 7A) permitting unionization. Unions used this fact extensively in their campaigns.

4. The increase in prices stimulated the desire for higher wages.

5. Later the National Labor Relations Act not only protected the rights of the working men to organize, but also set up a board to hear cases and return to their jobs, with back pay, men who had been dismissed for union activity.

6. Employers were definitely forbidden to establish "company" unions, and the "yellow-dog" contract was outlawed.

7. High governmental officials endorsed, as a social aim, the purposes of labor unions to raise and maintain a high fund of purchasing power, which they found essential to the renewed prosperity of the nation.





8. Some elements of public opinion swung to the support of the unions after learning that some manufacturers had employed labor-spy agencies, using thugs with criminal records to operate against the unions.

9. Some liberal elements of public opinion observed the fact that in Germany in 1933 the union leaders were the first victims of the dictatorship, and saw in the unions in this nation a bulwark for political democracy.

10. The national minimum wages in the codes, although varying by districts, removed from some employers their fear that the unions by demanding higher wages would subject them to unfair competition from rivals paying much lower wages.

11. As the unionization campaign went on, some larger employers seem to have come to the conclusion that unionization would be no handicap to them because the unions would shortly organize the whole industry.

12. A new union technique was adopted, under the auspices of certain industrial unions. It was that of getting all employes of an industry into one union, instead of splitting them up among ten or twenty unions, as the craft organizations had done. This technique, energetically followed, had great success in many plants.

13. In turn, this success of the Committee for Industrial Organization drove the craft-union organization (the American Federation of Labor) to greater activity.

All these factors, and others, resulted in an increase in union membership of about 4,200,000 men in five years. The 7,500,000 now organized are about a quarter of the employes in industry.

## **The Worker's Dilemma**

The worker has several choices. He can join a union and work with the other men to make it the kind of union he wants. Or he can refuse to join, and actively help to prevent the unionization of his

factory, mine, or shop. Or he can stand on the side lines and let the other men in his place of work make the vital decisions.

For the union, it is argued that organization increases wages. The printing, newspaper, and periodical industry, well organized, paid \$37.03 for a 37-hour week in September, 1933, whereas the average for all industry was \$24.92. The C.I.O., the worker reads, has increased wages by two billion dollars. He knows that the unions have helped put through the minimum-wage legislation in his state, which increases the amount his daughter earns each week and prevents a return to the sweatshop wages she earned in 1932.

It is also argued that unions create democracy by teaching men how to work together for the common good, that they bring political democracy over into our economic life, and give a man some say about one of the most important things in his life—his job. It is further argued that they create a fine spirit of independence in men, freeing them from the necessity of being fearful and submissive before the boss who controls their jobs. That spirit, the worker is told, if sufficiently widespread, will prevent the rise of dictatorship in this nation. Whether he is in industry or professional service, whether he is employed by a good employer or a vindictive labor-baiter, the worker is urged to join a union so that there will be a solid front against autocracy in America.

## The Employer's Dilemma

Here is an employer who wishes to deal fairly with all men. He feels a sense of social responsibility. He knows that many men have centered their lives around his business. If he fails to make his business a success, these men will suffer for his failure. His men think their wages are low. They speak to him about it. He examines the matter. They average \$1,200 a year. Prices are up. Rents are high. One in twenty manages to get a child past high school and into college. His workers do not live well. They cannot afford the amuse-

ments he takes without question. While he is thinking the matter over, the workers organize and present him with a demand for a 10 per cent wage increase.

What can he do? What ought he do? If the books show that he can afford to take that much from profits and put it into wages, this particular employer may accede to the union's demands. But if the books do not show sufficient profits, what does he do? He goes into the question of more efficient operation. If the men will produce more for the 10 per cent increase, his labor cost will not go up 10 per cent. He knows that sometimes satisfied employes will work harder than dissatisfied employes. He knows that in the men's clothing industry the union helped cut production costs at the same time that it was increasing wages.

In this case he finds that five of his competitors are paying union wages, 10 per cent higher than his own, and the other nine companies are paying no more than he is. If all fifteen in the industry paid the same wage, they could all share the available business fairly evenly, and the most efficient would make the largest profits. But as long as there are nine others who can undercut him in price if he pays union wages, he is uncertain about the risk of paying the higher wages. He asks, "When will the other plants be unionized?" and is told "As soon as possible; a start has to be made somewhere."

His dilemma is that of risking the loss of business due to higher costs or risking the temporary loss of business due to labor trouble.

The dilemma of the employer who is fundamentally opposed to unions and will not recognize or deal with them is different. It is usually in cases where the employer does not believe in unions and where he has sought to prevent the growth of unionism that the most bitter feeling and the greatest violence takes place. The killing of men picketing the Republic Steel Corporation plant in South Chicago and the Ford Motor Company violence are still fresh in mind.

Some of these employers feel that union leadership is irresponsible; that is, it takes little consideration of the difficulties of business and

concentrates entirely on the needs of the workers, regardless of whether the individual business under attack can pay higher wages or not. They say that unions lead to constant trouble and are a permanent threat to the interests of investors and to able management. They are, therefore, determined to stop unionization not only in their own plants but everywhere.

## Anti-Union Strategy

The anti-union employer has many ways of circumventing the organization of the workers into a union. These include:

1. Dismissals of all men found or believed to be active in forming a union. These men then have to prove that this, and not some minor infraction of the rule, was the cause for their discharge—a difficult matter, one also involving delay and possible permanent loss of pay.

2. Lockouts, the closing of a plant by an employer.

3. Blacklists circulated among groups of employers, giving information about union “troublemakers,” preventing them from getting jobs.

4. Change of location of plant to a new territory where workers are not organized.

5. Locating large establishments in small towns where, because of the economic dependence of the community upon the factory, public opinion will often support the employer who seeks to curb or keep out union organizers.

6. Control of local or state governments, sheriffs, and police to act in a way that will discourage unions.

7. Circulation of material alleging that the union leaders are radicals or are interested only in power for themselves; that they are “outsiders” not really interested in the welfare of the community.

8. Offering national leaders opportunities as foremen, thereby taking them out of the ranks of the union.



9. Discouraging union men by delaying the operations and hearings of the National Labor Relations Board.
10. Attempting to create a national public opinion—through press, magazines, and radio—hostile to labor unionism.

## **Union Strategy**

Having once secured a majority, or a large minority, of the men in a plant, the union sends representatives to the employer to ask for higher wages or shorter hours or better conditions or recognition of the union. If the company refuses, the men are asked if they want to strike. If they vote to strike, the union must conduct the strike so that: (1) the employer realizes that he will lose business through a prolongation of it; (2) the non-union men will not interfere with the union but will join it; (3) the public will not disapprove of the strike. In every way it must counter the employer's attacks. This sometimes leads to attempts to offset employer control of local and state officials.

It can be seen that the union has only a few means of operation open to it, compared to the employer. If the employer refuses to negotiate, the bulk of the union strategy centers around the possible calling of a strike, actively supported by a majority of the workers. If a strike is called, the union may have the task of persuading hundreds or thousands of men to risk the loss of their jobs and to risk any violence they may receive during the course of the strike.

## **The Public's Interest**

The public is very much interested in having a firm prop of large purchasing power put under the economic system—if that will help prevent depressions. It has a large concern that the working people shall be free men. It has a large interest in not having prices too high. It is enormously concerned in the continuance and increase

of business authority. At every point it has an interest in analyzing the objectives of the unions.

The union leaders feel very confident that their cause will ultimately be successful. They feel that they have raised millions of workers from the drudgery of long hours at low pay to the status in industry of responsible American citizens with some degree of security in the job. They point with pride to the large corporations that bargain collectively with them, in railroads, coal, automobiles, clothing, rubber, printing, steel, and a hundred other industries. They feel that they have had a large part in enacting social security legislation for the unemployed, the children, the aged, the women. They feel that their cause is democracy's cause.

Although many great employers are dealing with them at present, it is far from certain that the unions will not have to withstand a concentrated fight against them from anti-union employers if the 1937-1938 depression deepens. These employers say that there must be mass production of low-cost goods. Unions they say, increase costs. They charge the unions with radicalism, racketeering, and ambition for political power. They charge interference with management. To regulate union activities they urge restrictive legislation.

Ultimately the decision is with the American public. Workers, farmers, professional and business men, housewives must think through the stated objectives of labor and weigh the counterclaims made by those opposed to unionism. Somehow standards of living must be raised. But how? By supporting labor as it organizes? By discouraging the organization of unions?

## WHAT WOULD YOU DO?

1. The owner of the Brown Chocolate Company believes in doing everything possible for his workers. But he opposes labor unionization. He pays as high wages as his workers could get elsewhere, and in addition provides them with free medical service and recreational facilities. He considers the workers to be part of his family. One day he discovers that a group of his men have organized in a union with outside affiliation. The leaders condemn him for "paternalism" and appeal to the workers for "democracy in industry" through unionism. Mr. Brown is the largest taxpayer in town. He has extensive political influence. Should he take measures to prevent labor organizers from contacting his workers?

2. The employes of the Galahad Publishing Company, which publishes religious books, have been urged to join a union. Certain church groups have insisted that it is the moral duty of these employes to throw in their lot with organized labor and give it their support. Finally they took a vote among themselves and decided not to join, for several reasons: their employers had taken losses during the depression in order to carry the full labor force, although at reduced wages; they had recently received two pay increases, so that their wages were not now under union standards; they had generous sickness allowances, though no adequate vacation. They do not believe that their own interests would be advanced by joining a union. Question: Is their decision wise?

3. Frank Mahoney believes in the labor unions, and thinks that by and large the quarrymen would be better off if they pushed their claims through a strong union. But the quarrymen's local is controlled by high-handed labor leaders whom Frank knows to be crooked, interested solely in dues to line their pockets. Question: Should he join and help clean up from the inside, paying his good money in dues all the while, or should he stay out until the union cleans house?

## WHERE TO BEGIN

1. Write to your State Department of Labor for information about wages, working conditions, protective legislation, chief industries, number of gainfully employed workers, etc.
2. Consult local labor leaders and the secretary of the Chamber of Commerce for information about local conditions.
3. Collect all the information you can about some recent labor dispute, by clipping newspapers and talking to management and strikers, and try to determine which side of the dispute the public should have supported.
4. Write to the Federal Council of Churches, 297 Fourth Avenue, New York, N. Y., for resolutions of church bodies on labor.

## QUESTIONS TO THINK ABOUT

1. Can workers depend upon employers to pay the best possible wages that the industry can afford?
2. Should workers have any share in deciding what percentage of the industry's income shall go to wages and what to dividends?
3. Should the government take any active part in encouraging labor organization?
4. Have employers anything to gain from the organization of their workers?
5. Which labor organization—C.I.O. or A.F. of L.—do you believe has more to offer the worker? The nation?
6. Will democracy be served or retarded by the spread of labor unionism? Why?





Should national economic independence be encouraged by high tariffs and other trade barriers?

*(Tentative Question No. 1)*

# TARIFFS AND TRADE

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GERMANY and Italy are now trying to be economically independent. They want to buy as little as possible from abroad. They want to manufacture and produce almost everything at home—even if it costs more. Why have they adopted this policy? Both nations expect to be cut off from most of the rest of the world in war-time. If they cannot make oil out of coal, they may have no oil or gasoline to run their war machines. In addition, they have little money to pay for purchases abroad, even at prices lower than “ersatz” (substitute) materials made at home.

Should we try to follow their example and be economically independent? Should we try to be as independent as possible—buying abroad only a few South American products such as coffee and tin? Or should we move toward buying everything where it is produced most cheaply?

Strong national feeling can be whipped up—as it has been in Germany and Italy and England, and here—for spending all your money at home. The slogans are, “Buy British!” “Buy American-made goods!” “Kauft Deutsch!” Buying only from your own nation can be called “patriotic.” Is it patriotic? Or is it nonsense?

Recently in Kansas an officer of an important farmers’ organization arose in a meeting to protest against the volume of imports received by the United States from South America. At that very moment, in South America, large numbers of new automobiles “made in U. S. A.” were being unloaded on docks for foreign buyers, and the officers of a large auto manufacturer in Michigan were jubilant because of the volume of their exports sales. At that very moment, too, employment was so good in an automobile city in Michigan that the general demand for the products of the farms of

Kansas was very much better than it had been several years before. The Kansas farmer went on to plead with his friends for a trade program that would mean that "America should live at home." Was the Kansas farmer actually living unto himself alone? Is it possible for anyone to do so? Should a nation try to live to itself as much as possible? Or should a nation try to exchange more and more goods with all men everywhere? Which is the program that will make for economic stability and advancement?

## **Your International Morning**

You sit down to a good American breakfast, and find yourself shaking hands with half the world. The coffee was picked by workers on the slopes of Brazil. The sugar in it came from the Philippines or Cuba. The telephone that interrupts the meal has rubber from the Dutch East Indies. The newspaper is printed with ink made out of vanadium from Peru. The car you drive to work has in it cork from Portugal, shellac from India, cotton from Egypt, chrome from Rhodesia. You button up a coat made of wool from Australia, or perhaps from Argentina, and tighten socks made from Japanese silk. Getting all these products to you means that the people in Brazil, in Cuba, in India, Africa, everywhere had to buy something made in America. If they had refused to buy something made in America, the American people would not have been able to buy the coffee and tin and rubber and other necessities of modern life.

## **No Selling Without Buying**

The clothing merchant in your town cannot buy groceries, or get a haircut, or have his house repaired, or buy a car unless he sells his clothing to someone. The groceryman and barber and lumber dealer and automobile worker cannot buy clothing unless they can sell their products or labor. That is simple and obvious.

But why cannot the foreign nation be content to buy our auto-

mobiles and cotton and wheat and meat and send over the money—so many thousands of dollars? The answer is: They cannot get the dollars unless they sell us something. We won't accept their marks or francs or pounds sterling. The only way they can get the dollars is to sell us something they produce. There is very little gold in the world—the United States has 40 per cent of it—and the other nations need to keep what they have to back up their own money at home.

When a nation buys more than it can sell, it has to send over gold to make up the difference, instead of swapping pieces of paper (drafts) back and forth evenly. A nation that buys more than it sells is said to have "an adverse trade balance." When it sells more than it buys, it is said to have "a favorable trade balance." The United States has, for some years, been selling more than it buys, but the great bulk of its foreign trade is made possible by buying goods from other nations.

But merchandise is not the only thing that helps a nation to even up its trade balance. Yearly our tourists pay millions for services and entertainment abroad. Money is paid from one nation to another in freight charges on shipping. Interest on capital loaned is received from the nations borrowing it.

For some years it is possible for a nation to achieve a "favorable trade balance" by loaning other nations money to buy its produce. We did this during and after the World War. But no sound permanent development of export markets can be obtained in this way.

## Why Nations Have Tariffs

A tariff is a price paid at the border or port on goods brought in from abroad. In a general way, if our tariffs are high, our share in world trade suffers, as the chart shows, although many other factors are important. The tariff is paid by the importer, who passes the costs on to the wholesaler or retailer, who, in turn, passes it on to the consumer. Essentially, the tariff is a tax on the consumer.



But even if no foreign goods are imported at all, so that no tax is paid directly by the consumer, the tariff may still be a burden on the consumer. It cuts off the source of supply from abroad which would lower prices, and so allows our domestic industries to raise prices. Senator Pope of Idaho stated recently that in these ways the consumer paid annually a four-billion dollar subsidy to industry.

Then why do nations have tariffs? Is it simply a convenient way of raising taxes for the use of the government?

No, there are also other reasons. If France, for example, levies a tariff of 50 cents on the dollar's worth of wheat, it is not for the sake of raising the cost of living to her citizens by 50 per cent. It is to "protect" the French farmer from the competition of American or Canadian wheat, which can be grown more cheaply than in France. Incidentally, such a high tariff produces various results not intended at all. For example, it makes it impossible for American and Canadian businessmen to import so much from France as they did before the tariff. It also raises the price of wheat inside France so much that all the French farmers start growing wheat, and pretty soon France is trying to sell her wheat abroad, in addition to her manufactured products.

The explanation originally given for high tariff walls was "to protect infant industries"; that is, new industries that might grow up to produce cheaply if they were not experiencing competition from industries in other nations. But as the infant industries grew up into full size, and learned how to produce more cheaply than other nations, they demanded that the tariffs that protected them be kept. A vested interest in a high tariff had been created, and not only the companies but the workmen wanted the protection retained.

In 1913, we imposed a tariff of 27 cents on each dollar's worth of foreign goods. After the World War, there was a great depression. The cry was raised that we should protect American industries from being wrecked by a flood of "cheap foreign goods." In 1922, the tariff was raised so that we were charging about 38 cents on every dollar's

worth of goods manufactured abroad. Again, in 1930, there was a depression, and the barrier was raised to 42 cents. Again the cry was to protect our industries—which were, indeed, closing down at that time.

As we raised our own barriers, the other nations asked, "Why should we let any nation sell to us which doesn't want to buy from us?" So they raised their own barriers, and then some of our other factories began closing down. It was a game everybody could play at, and did.

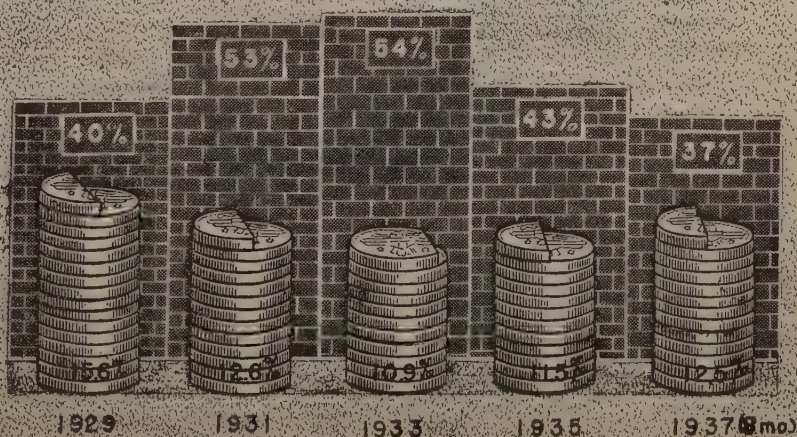
Our exports fell from \$5,157,000,000 in 1929 to \$1,647,000,000 in 1933. The depression was world wide.

## Our Stake in Exports

All this tariff-raising all around hurt in many ways. A recent study shows a sample of how many men in various industries need

# TARIFFS AND TRADE, U.S.A.

THE HIGHER OUR AVERAGE TARIFF RATES,  
THE LOWER OUR SHARE OF WORLD EXPORTS



foreign trade to hold on to their jobs: In automobiles, 13 out of every 100; in farm machinery, 25; in office appliances, 30; in refined copper, 36; in phosphate rock, 41; in industrial machinery, 13; in turpentine, 51. About 60 million acres of crop lands (a sixth of our total) were worked for export. More than half of our cotton and more than a third of our tobacco and pork products went abroad. These are 1929 figures. Since the depression, beginning in that year, and since the general all-around tariff raising, the amounts have dropped off.

## Our New Approach

Before the World War, we owed Europe money. We had borrowed their money to build our railroads and factories. Every year we had to pay interest on that money. We did it by sending our crops and manufactured goods abroad. We paid—not in checks or gold—but in sacks of grain and bales of cotton. But during the World War, Europe began borrowing from us. When it was over, we no longer needed to pay interest abroad with our cotton and wheat. The peoples of the world now owed us interest. Governments owed our government. Citizens of many countries owed our investors.

According to the *logic* of international trade, we should then have changed about as a nation and permitted these other nations to ship us large quantities of goods in order to pay their interest. But the national psychology and the national leadership did not favor such a policy. There was another way out and we took it. We continued to loan money to Europe and South America, to enable other nations to pay us the interest they owed us and to keep on buying our exportable surplus production. We did so until 1929.

Then came the international depression and the collapse of many credit institutions. We stopped lending abroad, most buyers abroad stopped buying, the volume of our international trade shot downward from a total value of more than 9 billion dollars in 1929 to a

total value of less than 3 billion dollars in 1932. Since then, through 1937, the trend has been one of slow recovery, and the total value for 1937 was estimated to be more than 6 billion dollars.

This great stoppage of foreign trade led many economists, businessmen, farmers, and other community leaders to re-examine the idea that higher and higher tariffs really helped the nation. Congress, in 1934, agreed to accept the plan of Secretary of State Cordell Hull to try for a general tariff lowering. This was to be on a "reciprocal" basis. If a nation was willing to lower its tariffs on some goods that America made cheaply, we would lower our tariffs on some goods which that nation made cheaply.

## The Reciprocal Trade Treaties

Since 1934, seventeen trade treaties have been signed, with Cuba, Belgium, Haiti, Sweden, Brazil, Canada, The Netherlands, Switzerland, Honduras, Colombia, Guatemala, France, Nicaragua, Finland, Salvador, Costa Rica, Czechoslovakia. In the spring of 1938, a trade treaty with Great Britain was being negotiated.

These treaties have had some effect. The State Department reports that our trade with nations with whom we did *not* have trade treaties increased only 9.2 per cent between 1935 and 1936. With those with whom we *do* have treaties, it increased 18.2 per cent.

These treaties did not have to be ratified by the Senate. Congress gave the President the power to lower tariffs—not more than 50 per cent—in return for tariff lowering by other nations. This was a considerable step in efficiency, at least, because in Congress it was almost impossible to lower the tariff, commodity by commodity. The Congressmen from the wool-growing states would say, "Lower it on everything except wool. Increase it on wool." The Congressmen from the steel states would say, "Lower it on everything except steel. Increase it on that." The result was a process called "log-rolling." The wool men would give a promise to the steel and



copper and lumber and medicine and oil men to vote for increases on their products in return for a reciprocal vote to increase the tariff on wool. Thus, it was practically impossible to secure any tariff lowering. The consumers, unorganized, paid the bill in increased prices, as more and more competition from abroad was shut off.

The purposes of this trade-treaty program are: (1) to stimulate foreign trade by lowering unduly high barriers; (2) to remove discriminations that various nations have imposed or to prevent discriminations they might impose against American goods; (3) to set up a working international economic machinery available to all nations that prefer trade to economic independence.

In order to secure the second objective, it is the custom to grant all other nations (except those discriminating against us in favor of other nations) all the benefits of every treaty. This has been criticized severely as "a plain gift of duty reductions to everyone." However, the nation that is given a tariff reduction by us on any one particular item is usually a specialist in producing that item of commerce, and the non-signing nations do not get any great advantage from the reduction. In early 1938, Germany was the only nation to which we were not extending the benefits of these reduced rates.

These tariff treaties are significant also because they are not intended to help only us. They are intended also to help the nations with whom we make them to engage more freely in trade and become more prosperous. During the years of the tariff wars we learned that the result of high tariffs was that other nations were forced to try to become economically independent or were thrown on the mercy of their neighbors.

Denmark is a case in point. It had been selling its vast produce of dairy products to England. England put on a high tariff, and Denmark faced ruin. She had to sell to the only other available customer, Germany, and has since become economically dependent upon Germany. One of the significant aspects of the trade treaty program is that it is an attempt on our part to view the tariff problem from an

international point of view rather than from a purely national or domestic one.

## **Brazil—A Defensive Move**

The trade treaties can be used to prevent monopolization of foreign markets by other nations. Brazil is an illustration. Our exports to Brazil had for years led all competitors, with Great Britain second, and Germany third. Eighty per cent of our buying from Brazil was coffee. Coffee production was increased, not only in Brazil but in other countries, with the result that the price steadily fell, bringing financial depression to Brazil. Whereupon the Germans, using their manipulated currency with care, and exercising great ingenuity in making profitable trade agreements with Brazil, are now competing with us for first place.

Our sales to Brazil dropped from 109 million dollars in 1929 to 40 millions in 1934. Secretary Hull pushed for a trade agreement with Brazil. When it was finally signed and ratified, we had conceded to Brazil a continuance of our policy of accepting coffee without duty. We gave further concessions in reduced tariffs—and eliminated tariffs—on a long list of Brazilian products, chief among which is manganese. Brazil, in turn, lowered her barriers against our refrigerators, sewing machines, cash registers, typewriters, and automobiles. So the way was opened for freer interchange between the two largest nations in the Americas. The results of the reciprocal policy with Brazil seem successful. The first year of operation—1936—saw our imports from Brazil up 2.3 per cent, our exports to Brazil up 12.3 per cent.

## **The British Trade Treaty**

The British Empire and the United States are each the largest customer of the other. In late 1937, when the British Empire decided to negotiate a trade treaty with us, it was hailed as a great achieve-

ment. However, when the negotiations began, in the spring of 1938, whole hosts of business and labor men came to Washington to ask that there be no tariff lowering on the particular commodity they produced. In England, many voices were also raised to ask what possible benefit there could be to the British Empire in allowing more American goods to come in under lower tariffs.

Both nations had been trying, somewhat, to be economically independent, or self-contained. The United States, by raising tariffs, had given an impetus to some home industries. In 1921, England had done the same by raising her tariffs 21 per cent; and in 1932 had made the Ottawa Agreements, which gave a preference to products from the dominions (Canada, New Zealand, Australia, etc.) in the English market. American farmers had suffered especially from this preference. A large share of our losses in the exports of lard, pork, bacon, and other meat products can be traced to the British tariffs. Now the task was to increase trade between the two nations by lowering many tariff rates on both sides of the water.

## Difficulties

The hope of tariff lowering is that, while it is likely to hurt some people somewhat at first, and to help other people somewhat at first, it will help everybody greatly in the long run. But the first hurt seems to many so bad that they object to the process strenuously. The reciprocal trade treaties have been adversely criticized by many groups. If the 1937-1938 depression deepens beyond the 12,000,000 unemployed in March, 1938, a new attempt to raise, rather than lower, tariffs may be expected. Such a move came and was successful in 1922 and 1930. Whether it will be successful again depends upon the public opinion in the nation.

Manufacturers and labor become particularly anxious when a foreign product comes in which sells far below the American cost of production. It is then that the country is told most about "cheap

foreign labor putting us out of business." To those most directly affected, the resultant gain to the general consumer and the fact that some other American industry is thereby given a chance to sell more exports abroad seem very unimportant. There is no doubt that general tariff lowering does tend to favor the most efficient as well as low-cost production anywhere in the world—but it is also true that some American sales abroad are increased by the amount of all our imports, including the cheapest of them.

To such objections considerably more attention should be given through the reading of further material than this chapter, by limitations of space, can contain. The tariff experts, before recommending the lowering of any tariff from a tenth to half its present size, have to answer these questions: If another nation can produce some article at one-half of our cost, how much of that article should be allowed to come in? Should it be allowed to come in at all? What chance is there that the displaced workmen will find employment elsewhere? What chance during a depression? If consumers save \$10,000,000 by the lowering of a tariff, how much of that saving will go to give jobs to the displaced workers? Does a manufacturer have a right to be protected in a business that charges consumers twice what they would pay for a foreign product? Do workers in such a business have more right to their jobs against foreign competition than against domestic competition? These are serious questions.

American farmers object that Canadian cheese and beef are coming into this country in larger quantity since the treaties. What do the tariff lowerers reply? They say that in return Canada has lowered the tariff on one-third of all the products imported from the United States formerly having to pay a tariff, and has guaranteed that there will be no tariff on 180 items, including fresh and canned fruits and vegetables, much machinery, iron and steel products, magazines, electrical equipment, etc. Some Americans may get more competition so that other Americans will be able to sell more. Then the second group of Americans can buy more from the first. This is



a fairly typical criticism and a typical reply. It is difficult to evaluate what has actually happened because of the strong upturn from 1933 to 1937 in general prosperity, and the fact that many foreign nations have been purchasing great quantities of war materials here.

Before the Czechoslovakian treaty was signed, in March, 1938, the shoe industry of New England and St. Louis objected strenuously. They wanted no flood of very cheap Czech shoes coming in to close down more of their factories. The State Department lowered the tariff by 50 per cent on shoes, but restricted the amount which could come in to  $1\frac{1}{4}$  per cent of domestic production, which was 410,000,000 pairs in 1937. In this way it opened some of the Czechoslovakian market to other American goods, and protected all but a very small part of the American shoe industry.

Here again, the hope is that as Czechoslovakia begins to buy more American products, the new sellers of these American products can buy more American shoes. It is the idea of a little hurt to some for a great gain to everybody, even if the gain is secured in a delayed move. Those who are hurt directly, and who are not at all certain of the ultimate gain, object violently.

## National Planning

If a nation is to be relatively self-sufficient, a great deal of control over industry must be exercised. In addition, costly substitutes must be produced at home to take the place of the foreign products no longer imported. This requires a system of quotas, tariffs, and controls approaching those in effect in Germany.

If, however, a nation is to enter into large world trade, there are apt to be some local injuries here and there. Those so injured also need national planning and help until the object of increased advantage to everyone is arrived at. The *transition cost* must be covered by the beneficiaries of the change.

A rough comparison can be drawn with the relief situation. We

had to pay heavy taxes to care for the unemployed and to make public works possible. But, it was hoped, that by paying once, the economic machinery could be started moving, and we would not have to go on paying forever. Many billions of dollars were put into relief, but the national income was raised from about 30 billions in 1932 to over 50 billions in 1936. The gain seemed to be worth the price, if it was a permanent gain. The same hope applies to the reciprocal tariff bargaining. It is hoped that there will be so many new orders for American goods that those people put out of employment as a result of tariff lowering will find employment in exporting industries, and everyone will be able to purchase goods somewhat more cheaply.

The effect of the reciprocal trade treaties should not be exaggerated. The tariffs cannot be lowered more than 50 per cent. When we have signed treaties with all the major nations, our tariffs will be about what they were in 1922. The problem before the people will then be whether (1) they want to continue the process or (2) leave the rates where or (3) raise them again.

The answer will be determined by whether we are going to try to confine our buying and selling to ourselves—or spread it out over the world. If we try to become self-sufficient, we will not be able to sell much abroad. If we try to keep American business going by selling abroad, all nations will have to keep on lowering the tariffs until each can specialize freely in what it produces best and most cheaply.

## WHAT DO YOU THINK?

Read the following statements to the group, asking them to check each one as true or false:

	TRUE	FALSE
1. The United States can be made economically self-sufficient	.....	.....
2. A high tariff guarantees workers' prosperity	.....	.....
3. Nations pay for all imports with gold	.....	.....
4. The American tariff is one of the lowest in the world	.....	.....
5. We export more than we import	.....	.....
6. Our export trade could be wholly cut off without much effect upon our economic life	.....	.....
7. An increase in international trade will make war more likely	.....	.....
8. The world would be better off economically if each nation concentrated on producing the goods it can produce most efficiently	.....	.....
9. High tariffs on manufactured goods help the American farmer	.....	.....
10. Tariffs are levied on imports for the primary purpose of collecting revenue for the government	.....	.....

## WHERE TO BEGIN

1. Make a list of imported products that you have used during recent months. Would you want to do without them?
2. Make a World Trade Map, showing the products that your community or area exports. Assistance in planning this exhibit can be had from the National Council for Prevention of War, 532 17th Street, N. W., Washington, D. C. The League of Nations Association, 8 West 40th Street, New York, can give you such a survey for the Chicago area (*Chicago, World Trader*, 10c.).
3. Farmers should write the Department of Agriculture, Washington, D. C., for leaflets on exports and imports. Information on the Reciprocal Trade Agreements program can be secured from the Department of State.
4. Interview community leaders, asking their opinion on what our foreign trade program should be. Ask them to state reasons for their opinions.
5. Write the National Peace Conference, 8 W. 40th Street, New York, N. Y., for information about the Campaign for World Economic Cooperation.

## QUESTIONS TO THINK ABOUT

1. Is it fair to make one industry suffer, by lowering the tariff, even if tariff lowering operates for the general welfare?
2. Should consumers be urged to "Buy American"?
3. Should we reduce tariffs on goods from countries whose standard of living is lower than ours? For example, from Japan?
4. How do you account for the fact that the United States, with a high standard of living, can compete successfully in the world market in such goods as automobiles, typewriters, farm machinery?
5. Is economic self-sufficiency a desirable national policy?
6. Do you favor the Hull Trade Agreements program?





Should public utilities  
continue under private  
ownership?

*(Tentative Question No. 1)*

# ELECTRIC UTILITIES

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THE POWER business is one of the lustiest children of American industry. It is young, but already its total investment is estimated at around 13 billion dollars. There are some 26 million customers. In 1902 it sold its customers less than 5 billion kilowatt hours of electricity. In 1937 it sold more than 100 billion kilowatt hours.

In 1933, according to the Federal Power Commission:

9 systems controlled 51.7 per cent of the nation's output;

48 systems controlled an additional 40 per cent;

2,600 independent companies were absorbed between 1917 and 1932.

How was control concentrated in so few hands? The "holding company" was the instrument used. A holding company is different from an operating company, which generates and sells electricity to consumers and is subject to state regulation.

The holding company was set up to acquire and hold only the part of the voting stock of an operating company that was necessary to give the holding—or "parent"—company control. The holding companies often did not have to pay cash for this stock. They simply exchanged their own stocks for the stocks of the operating company. Then, by selling to the public their own stocks (usually those that possessed no right to vote), and their own bonds, they acquired the money to expand the operating companies and to acquire additional ones.

To bring still more companies within a centrally controlled system, larger holding companies were formed to raise money to acquire a majority of the voting stock of the smaller holding companies. In some cases a half dozen or more of these holding companies were "pyramided" on top of each other. Thus it was possible for \$1,000



invested in the top company to control a \$100,000 operating company. When such an arrangement was effected, the holding company could put in its own officers, dictate the policies, and make the operating company pay to the holding company whatever "service" or "management" or "engineering" fees it chose to charge.

In the course of this process of concentration, a few dozen men acquired power to dominate the private electricity business of the nation. A formulation of policy for the industry is facilitated further by the Edison Electric Institute, the "trade association" of the industry, whose members now represent some 70 per cent of the electric industry.

## Regulation

The supplying of electricity comes within the sphere of public necessities. It is considered a "quasi" or virtual monopoly, in contrast to other branches of business enterprise, which are more competitive. To furnish a substitute for competition, regulation has been established.

Electric service was supplied for years by unregulated private business. Rates were as high as 25 cents per kilowatt hour. Companies refused to supply current throughout the day. The people protested. In 1907 the states began to set up public service commissions with authority to prescribe standards of service and to fix rates.

These attempts at regulation by the several states were opposed by the power companies. They were denounced as destructive of business, as un-American. But as regulation itself was challenged by those who favored public ownership, this attitude changed. The companies came to accept a policy stated by Samuel Insull: "We must do our level best to maintain most cordial relations with the regulatory commissions. If public regulation fails, the public will insist upon public ownership." Private companies still favor governmental regulation.

What has been the record of regulation during its thirty-year career? Much good has been accomplished. During this period production increased eighteenfold. Average rates dropped from 10.5 cents per kilowatt hour to 4.9 cents. Service that formerly was available only to the large cities was extended to every village with as many as 500 inhabitants and to 1,000,000 farms. Yet the record of regulation also has its failures.

Disputes about rates have not been settled rapidly. Some rate cases were in the courts over five years before a decision was reached, while expenses running into millions were added to the customers' bills. Utility rates under regulation range from 2 cents per kilowatt hour in some communities to 18 cents in others. The Federal Power Commission after its recent survey concluded that the diversity of conditions under which utilities operate "does not justify the amazing variety of rate forms, many of which are beyond the grasp of the average layman and not a few too difficult for even an experienced rate specialist to interpret."

Adequate capital has been available for rapid expansion. Business failures were relatively rare. But regulation was not effective in preventing abuses. Concentrated and autocratic financial control was built up. Assets were revalued upward or inflated—a total of \$1,463,334,892 according to the Federal Trade Commission. Of this write-up, \$839,395,343 was in the operating companies. On this inflated value, a "fair return" was expected.

Some holding companies had annual profits of 100 per cent, others 200 to 3,102 per cent, according to the Federal Trade Commission. Worthless securities were issued in some cases. In connection with receiverships from 1931 to 1935 inclusive, particularly of holding companies, many stockholders lost everything—a total of about \$550,000,000 as estimated in the Edison Electric Institute's *Bulletin*. Vast sums have been spent through the newspapers, school systems, and other media to "build good will" for privately owned utilities and to defeat hostile legislation.



## Limitations of Regulation

Some students of public regulation maintain that the present scheme of regulation operates under inherent limitations.

First, the utility business is no longer the affair of any one state; it must be viewed in regional or national terms. There was a time when current could not be transmitted profitably more than fifty miles. Today some electrical engineers predict that before many years it will be feasible to bring current a thousand miles. Since state lines are crossed, effective regulation likewise must supersede state lines.

Second, the sheer size and the organization of the utility business have resulted in a powerful influence against which the separate state commissions have proved well-nigh helpless. The various state commissions with their limited funds have been met by the determined legal onslaught of companies that were willing to spend great sums in order to prevent the reduction of rates. Such contests between state regulatory commissions and private utility companies are handicapped by the tendency of the court to favor investors rather than the consumers, and the fact that the utilities can charge the cost of their legal battles to their consumers.

Third, commissions have been unable to secure low rates because of court decisions. A utility is supposed to earn "a fair return" on the value of its plant. But in 1898 the Supreme Court ruled in *Smythe v. Ames* that in determining the valuation of its property an important factor would be the cost of "reproducing" the plant and equipment (that is, how much it would cost to build it up from the ground at the price and wage levels at the time of the rate-case). With prices and wages changing up and down, such a valuation is difficult to ascertain. Consequently, the case bogs down in a lengthy physical appraisal of the plant and debate over accounting items.

Fourth, regulatory commissions have had no power to compel an adequate development of power facilities. The power companies

have been hesitant to extend power lines to outlying agricultural areas, arguing that this cannot be done on a profitable basis unless it is subsidized by the government or by city consumers. As a result, today only about 12 per cent of the farms of the country have electricity. And a national power and flood control plan has never been possible.

Regulation has been largely a state affair. Only water power is under any kind of federal regulation at present, and that only since the 1920's. The holding company has been limited since 1933 in some of its practices by federal regulation, but this does not directly affect rates paid by the consumer.

## Public Ownership

Public ownership of water plants goes way back into our early history. Public ownership of electric utilities began in 1882, with four municipal street lighting plants. In 1932 there were 1,802 municipal plants, serving about 10 per cent of all utility customers, and accounting for about 6 per cent of total electric output.

In 1932 every state had some municipal light plants. Seventeen states had 40 or more:

Nebraska	166	Indiana	82	Georgia	52
Kansas	146	Oklahoma	69	Michigan	51
Iowa	123	North Carolina	66	Massachusetts	43
Minnesota	120	Illinois	54	South Dakota	42
Ohio	112	Missouri	53	Pennsylvania	40
Wisconsin	85	New York	53		

Of the 71 cities with a population of 50,000 or more, 17 have municipal light plants:

Austin, Texas	Holyoke, Mass.	Los Angeles, Cal.
Cleveland, Ohio	Jacksonville, Fla.	Pasadena, Cal.
Columbus, Ohio	Kalamazoo, Mich.	Springfield, Ill.
Fort Wayne, Indiana	Kansas City, Mo.	Seattle, Washington
Glendale, California	Lansing, Mich.	Tacoma, Washington
Hamilton, Ohio	Lincoln, Neb.	

## Municipal Rates vs. Private Rates

Figures on municipal and private rates were compiled by the Federal Power Commission for all plants in 1935. The rates in cities with a population of 50,000 or more showed that private utilities charged the small consumer 25 per cent more than municipal companies. Private rates to moderate users (100 kw-h per month) were 15 per cent higher, and to large users (250 kw-h) they were 19 per cent higher. In communities of *less* than 50,000 population, private rates to small users were 8 per cent higher, to moderate users 1 per cent higher, and to large users 9 per cent *lower*. (The averages above are for the entire nation.)

In the New England states there is a still wider rate variation, in favor of publicly owned plants. In the southern states, municipal rates are about the same as private rates in the large communities. But in the small communities municipal rates are *higher* than private rates, even for small users.

This variation in rates among municipal plants is due mainly to two conflicting rate policies. The usual small municipal plant sells at prevailing private rates. In doing this it minimizes conflicts with the stronger private companies in the area. It applies its savings to public purposes, or to amortize its bonds.

On the other hand, many of the larger public plants establish their rates in accordance with their costs rather than on the basis of prevailing private rates. They do this in order to encourage greater use of electricity. Thus, the municipal plant in Tacoma, Washington, sells current at an average of 1.7 cents per kw-h as compared with a rate of 4.7 cent for all municipal plants. Its customers buy an average of 134 kw-h per month as compared to 60 kw-h for all municipal plants.

## The Government's Rate Policy

In 1933 the Federal Government took a hand in the rate controversy. It threw its influence behind the low-rate policy. It asserted that, in

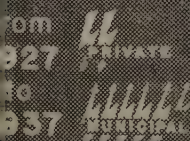
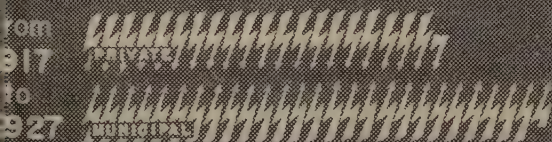
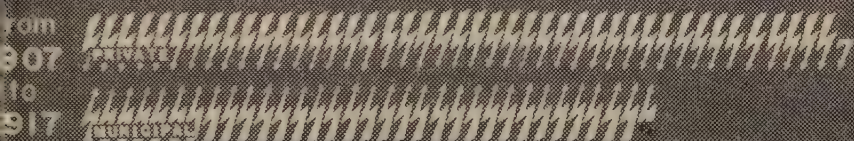


one region at least, it would put electricity upon the market at rates depending upon actual costs. Government plants therefore were referred to as "yardsticks." To meet their competition, private companies would be expected to lower rates, and thereby bring cheaper power and light to increasing numbers of consumers.

This policy is the basis of the Tennessee Valley Authority's program, launched in 1933. The TVA is a government corporation with power to develop the agricultural and industrial possibilities of the

## INCREASE IN POWER OUTPUT

Greater in privately-owned plants in earlier years  
Greater in publicly-owned plants in recent years



EACH ARROW EQUALS 10% INCREASE



valley of the Tennessee River and to improve navigation on the river. It may acquire real estate and build dams, power houses, and transmission lines. It may make contracts and sell electricity, fertilizers, and other products.

This is a marked departure from the past, when the government sold the power generated at its dams at a low price to private or municipal companies for resale at whatever prices these companies wished to charge. The TVA stipulates the rates at which its current will be sold. These rates are about one-half the average rates for the nation as a whole, ranging from about 4 cents per kw-h for the small user down to 1.5 cents for the larger user.

The working out of this plan can be illustrated by what has happened at Tupelo, Mississippi, as discovered by a special Federal Trade Commission investigation.

DATE	SITUATION	AVERAGE RATE PER KW-H.	AVERAGE USE PER CUSTOMER
January, 1934	Municipal plant buying current from a private company	7.3c	49
January, 1935	Municipal plant buying power from TVA	2.1c	103
January, 1936	Electrical equip- ment sold co-op- eratively	1.7c	149

In addition to this attempt to create one area that would give the nation an example of co-ordinated power-development (combined with fertilizer production and general development), the government also began, in 1933, to lend Public Works Administration money to communities for municipal power plants. Loans of \$80,000,000 at 4½ per cent and grants of \$65,000,000 were made to 279 municipalities for this purpose.

Although private and public plants have been charging substantially the same rates in many cases, they have used the revenue for different purposes. What do they do with the money they collect from consumers? They both use it, first, to pay their expenses. After that, they both use it to accumulate a reserve so that they can buy new equipment when the old wears out. They both pay interest on their bonds. From then on there is a difference. The private utility uses what is left to pay dividends on its stock. It does not try to retire its investment. For every consumer in the 22 largest companies there is an investment of \$558. On this the company expects to collect an annual return of about 6 per cent. The publicly owned plant, not having stock to pay dividends on, uses its earnings to retire its investment. Thus, it has lighter capital charges. The 15 largest municipal plants have \$361 investment per consumer and have retired all but \$158 per customer.

The 15 largest public plants had a net profit of 28 cents on each dollar sale in 1936, and in addition sold electricity at 20 per cent lower than the large private companies. However, none of the public companies has had to put out lines into sparsely settled farm communities where the income is low.

Is the difference in rates due perhaps to the fact that the private utilities paid 12.9 per cent of their income in *taxes* in 1934? The Federal Power Commission found that the public plants contributed, instead of taxes, free and low-priced services to the extent of 7.4 per cent of their income, and made additional contributions to the municipalities of 15.1 per cent of their income.

## Arguments for Public Ownership

First, it is not new, or radical. The majority of the cities own their water plants. Municipal ownership of utilities has had 50 years of growth, with some conspicuous records of efficiency, and no sensational failures.

Second, public plants can run more cheaply. (1) Their operating costs may be lower—fewer high salaries, no fees to holding companies. (2) Their capital costs are lower, since they can borrow money at 4 per cent instead of 6 or 7 per cent and can gradually retire their total indebtedness.

Third, the utility business is usually not competitive. It does not depend upon the incentives of private enterprise. Under regulation, private incentive is not allowed free play, anyhow. Public plants can employ able men.

Fourth, public plants in any part of the country help reduce rates in all the surrounding country by the example of low rates.

Fifth, as long as regulation exists, the private companies will be fighting the government in order to make more money and will devise ways and means to circumvent regulation. There is danger of control over the government by a 13-billion-dollar industry, dependent for its profits upon the ineffectiveness of the government.

Sixth, there can be no co-ordinated development of the national water power—no adequate flood control or soil conservation program—without government building of dams and reservoirs and government-controlled use of pumping of water into barren areas. It cannot be undertaken by private industry, intent upon immediate profits.

Seventh, with very few exceptions it is possible to transfer from private ownership to public without loss to private investors (except speculative investors). A fair price for actual investment can be paid for property taken over.

## **Arguments for Private Ownership**

First, private service in the United States is good. There are few break-downs. Rates have decreased fairly steadily. The average electric bill is about 9 cents per day (less than 3 per cent of a wage-earner's income). The same progress can be continued if the industry is left alone.

Second, state regulation has been successful. It has lowered rates.

Third, the value of utility stocks and bonds is lowered by the agitation for public ownership. Savings of colleges, insurance companies, churches are invested in these securities.

Fourth, government ownership tends to be inefficient, unwieldy, subject to political control—a “bureaucracy.” An expanding industry needs private enterprise.

Fifth, governmental power projects do not become fair “yardsticks,” even if they do claim to be set up on a comparable basis. They do not pay the usual taxes. They can borrow money at lower rates than private business. They are exempt from vexatious and costly regulation. They can usually find ways to get subsidies from public funds. If we are going to have any “yardsticks,” we need to apply them to the publicly owned plants themselves. Their rates and costs and services vary about as much as those of the private companies.

Sixth, a wide extension of directly competitive public ownership of utilities would be unconstitutional. Unless the government bought the private companies at a fair price, private property would be destroyed and its owners deprived of their rights.

It is these two sets of conflicting claims that the citizen and churchman must carefully weigh.



## WHAT WOULD YOU DO?

1. If you were interested in getting lower light rates in your community, which of the following things would you do? And in what order would you do those you decide should be done?

(a) Write a letter to the President of the United States. (b) Ask your state utility commission why rates could not be lowered. (c) Ask the mayor about it. (d) Find out whether rates are lower than yours in other parts of the state. (e) Ask the utility company whether it could lower rates. (f) Talk about public ownership. (g) Bring a suit in court. (h) Get candidates for office to pledge help. (i) Get the local booster clubs to work with you on the ground that lower rates will make the town more attractive to newcomers. (j) Get the merchants to support you on the ground that if rates are lower, more money can be spent for other things. (k) Find out whether, under the legal limits of the state, your community can borrow any money for income-producing utilities. (l) Organize a utility consumers' committee to start proceedings to get lower rates. (m) Find out what holding company controls the local operating company and ask them to reduce rates.

2. If you bought local utilities stocks for \$1,500 some years ago and saw that they were quoted now at \$1,000, what factors would you have to take into consideration before you could honestly blame (a) the operating company, (b) the government, (c) the holding company, (d) the depression, (e) the local agitation for public ownership?

3. If you live in a city where, you think, the utilities control the city officials and where rates are very high, what would you consider most important to do first: (a) Elect new officials? (b) See whether the state utility commission can reduce rates? (c) Start an effort to buy out the private company and change it into a public plant?

## *WHERE TO BEGIN*

1. Clip newspapers and magazines for data and opinion on power controversies.
2. Write to the Edison Electric Institute, 420 Lexington Avenue, New York City, or to a utility company in your own community, for literature presenting the case for private ownership.
3. Write to the Public Ownership League, 27 N. Dearborn Street, Chicago, Illinois, for leaflets presenting the case for public ownership of utilities.
4. Visit a city with a public plant and a city with a private electric light plant, and study their rates to consumers and their contributions to the local treasury.
5. Write to the Federal Power Commission in Washington and to the public service commission in your state for statements of their programs and policies.

## *QUESTIONS TO THINK ABOUT*

1. What are the main reasons for the concern of people about the utility issue today?
2. What satisfactory and what unsatisfactory experiences have you had in dealing with public utilities?
3. Are the electric rates in your community higher or lower than the rates in other communities of the same size in your state, with public or private plants?
4. Do the state or federal governments have any obligation to help farmers in remote districts get light and power service?
5. Should an interested citizen consider more than the consumers' and investors' interests in this controversial question? What else?



Should consumer co-  
operation be encoura-  
ged in competition with  
existing retailers?

*(Tentative Question No.*

# CONSUMER CO-OPERATIVES

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WHAT are these co-operatives we are hearing so much about? Why have they had such a success in England, in the Scandinavian countries? Will they work here? Haven't many of them failed financially? Are they just a passing fad, or something come to stay? Are they radical? Can they undersell the chain stores? Questions like these are being heard more and more.

*Consumer* co-operatives, it should be stated at once, differ from *marketing* co-operatives, sometimes erroneously called *producers'* co-operatives. We have had many marketing co-operatives. Milk, cheese, raisins, tobacco, or citrus fruit producers often join together to get a good price for their products from the middlemen and wholesalers. Their major interest is that of people who produce. The consumer co-operatives, however, are made up of people who consume something they do not produce.

## Consumers' Problems

There are two ways for the ordinary man to raise his standard of living. One is to get a higher income (or return, for his farm products.) The other is to pay less for what he has to buy. Labor unions and marketing co-operatives try the first way. The consumers' movement tries the second way. Many people feel that they have to pay far too much for their needs. They want to beat the high cost of living. They hit upon the "middleman" as the cause of the trouble—the costs and wastes of distribution. Others complain of grading and labeling, the difficulty of getting quality goods at a fair price. Many have begun to wonder whether organized consumers could advance their own interests and protect themselves.



Is it true that an unnecessarily large part of the cost of the food we buy is due to inefficient or over-costly distribution?

*Bread.* About the "staff of life," the Agricultural Adjustment Administration recently reported that in the last few months of 1937, the average retail price per pound of bread in 60 cities was 8.7 cents, whereas the average cost of the ingredients of a typical pound loaf was 2.6 cents, leaving an average gross margin for bakers and retailers of 6.1 cents. This is the highest margin in seven years. A wide margin indicates the importance of distribution in our present economic arrangements.

*Milk.* In most communities about a pint of milk per person is used every day. In relation to health needs, that is little. A report of the consumers' project of the Department of Labor described milk as a "peculiar sort" of a private monopoly in the larger cities of the nation. It stated that consumers in these cities often have no choice as to price or quality in purchasing milk. Prices of the respective grades are usually uniform among distributors. These distributors often maintain costly duplicating routes. They spend money advertising under different labels milk that may be uniform in quality. The retail price trend of bottled milk has been upward for many years although there have been some sharp reductions in the amount paid to the farmer.

The milk situation has become so serious for both consumers and producers that since 1933 some states have authorized price fixing by government commissions. Even the Federal Government has concerned itself with the problem. It is difficult, however, to find much clear net gain in the recent experiments, from the consumer viewpoint.

*Canned Food.* Very little canned goods sold today is both carefully graded and fully labeled. The Department of Agriculture has authority to set up standards of quality and condition for canned goods, and thus far canned peaches, pears, apricots, cherries, tomatoes, and peas have been required to measure up to certain *minimum*

standards. But very little has been done by distributors about grades, and labels by grade, above these minimum standards. Not long ago one large chain store announced itself ready and willing to sell all canned goods labeled A, B, and C. No other chain was willing to go along.

As farmers and workers started using machinery to produce cheaply, many of the men thrown out of work in production were absorbed into the field of distribution. Distribution grew as the nation's business grew, and a little more, too. A Government Commission reported the change in *Recent Social Trends*:

In 1870, 75 per cent of the people were gainfully employed in production.

In 1933, 50 per cent of the people were gainfully employed in production.

The distribution expense has mounted so high—in relation to the cost of production—that a distinguished distribution engineer, Guede Caglan, has stated: "The most embarrassing fact of our industrial economy is that the cost of distribution ranges from 100 to 400 per cent and upward of the cost of finished production of many, if not most, ordinary necessities of daily living."

Some of the high distribution costs are attributed variously to competitive advertising; competitive and unnecessary distribution facilities (too many gas stations, for example); the demand of consumers for credit, for the privilege of returning goods, for delivery; and to an overexpansion of store capacity. Of course the competition in distribution, such as that in producing, drives many to bankruptcy, both wholesalers and retailers.

## How Can Consumers Help Themselves?

There is more to buy than in the days of our fathers and grandfathers. We know less about what we buy than they did. More ex-

pensive advertising competition seeks for our dollars. Depressions make us stretch our pennies. How can we do the best for ourselves and our families?

### **Consumers' Strikes?**

Consumers are sometimes urged to strike—to stop buying. There have never been many consumers' strikes in America, but a few have been very effective. There were a few strikes that seem to have brought results in New York and Chicago in 1937, when the price of beef went so high that some restaurants stopped serving steaks. That may have extended farther, for when Edward F. Wilson, president of Wilson and Company, large Chicago meat packers, reported to stockholders early in 1938, he said: "A wave of consumer resistance developed which had a pronounced effect on demand for all meats." There have also been some organized protests against recent increases in prices of milk, and some of these seem to be resulting in consumer organization. If consumers would select the best values each day, instead of buying according to habit, they could probably improve their status.

### **Buy Tested Products?**

The biggest consumer in the nation is the Federal Government. It has its own testing laboratories, which try out everything from ink to automobiles. The results are not made public, however, because the lower-quality producers would object.

Individual consumers have no money to try costly comparative experiments. They may try to secure advice from one of several organizations giving testing services for consumers. The first of these to be established was Consumers' Research, Washington, N. J. Another is Consumers' Union, 55 Vandam Street, New York City, which not only reports on the quality of the products, but also, to a more limited extent, on the labor conditions under which products are made.

## Demand Government Protection?

Consumers may demand better services and protection of their governments—local, state and national. They may demand that really effective governmental control be set up over false claims in advertising. They may demand that the Federal Bureau of Standards shall make public the results of its tests, and that there shall be more effective food and drug laws. They may demand that Congress establish a consumer agency and declare its policy to be the protection of the consumer and the advancement of his interests, just as Congress has established agencies to help farmers, workers, and businesses. They may even demand, when they have to pay “monopoly prices” for certain articles, that the tariffs be lowered so that foreign competition can bring down the American price.

## Organize Co-operatives?

They may establish consumer co-operatives. What is a co-operative? The idea was worked out and put into practice by twenty-eight hungry weavers (one of them a woman) in the town of Rochdale, England, in 1844. They set up a store, which they themselves owned, through an organization with the following principles: Each member has one vote; membership is open to everybody; the return on capital is to be limited (usually to the legal rate of interest); earnings are distributed to members in proportion to their patronage.

Consumer co-operation starts with retail trade, but it may extend, if successful, to wholesaling, to manufacturing, to credit. In short, it provides not only a way for helping the consumer to make savings or to get more for his money, but also a fairly complete scheme for the democratic reorganization of most of our economic processes. Local retail associations tend to federate into wholesales, and wholesales tend to take on manufacturing as they grow.

Consumer co-operatives engage in a great variety of business,



for example: stores, restaurants, laundries, gas stations, credit unions, recreation, housing, the supply of electricity. Sales are made for cash at current market prices. Usually co-operatives assign some of their funds for education. Co-operatives are generally neutral as organizations in politics and religion, but the individual members express themselves as they wish on these issues. In the United States the farmers have led the way in the co-operative movement.

How do co-operatives get started? Let us suppose that a few individuals are aroused about high prices and resolve to do something by way of organization. They form a study club on consumer co-operation. As their information and interest grows, they form a buying club for a limited number of products. The training gained in this should equip them to expand into a co-operative grocery store dealing with the public. They must then form a consumer co-operative association under the laws of the state. Stock is sold to prospective members, often at five dollars a share. On this invested capital a fixed and limited return is to be paid, say 5 per cent or less a year, after the store gets going. When enough funds are raised, a manager is employed, a store site is rented, goods are purchased at wholesale for resale to members and others.

At business meetings each member has one vote only and there is no voting by proxy. If at the end of a year—or a shorter period—the enterprise has been successful in accumulating a surplus, the usual action is to put part of it into a reserve fund, and to distribute the rest as a dividend to members on purchases or patronage. If the patronage dividend is 4 per cent of purchases and a family has bought a hundred dollars worth of products, then its dividend is four dollars. This is in addition to the interest paid on the capital.

## Effects of Co-ops

What about these co-operatives? Are they unfair competitors of existing business? It should be obvious that the organization of a

co-operative store in a community that already has other stores means that there is now a new competitor on the scene.

Is it unethical for chain stores to enter a community when the result of their wholesale purchasing and large-scale selling tends to put individual grocery store owners out of business? Is it unethical for a man to go into the manufacturing business when one result of that is to put a competitor out of business? Your answer to these questions—whatever it is—will determine your view of the ethics of establishing co-operatives in competition with independent stores and with chains.

Certainly the chain stores, with low prices, have done much to slow down the consumer co-operatives in the United States. In cases, the co-operatives have not been as well supported or managed as the chains, and have failed, with loss to those putting up the capital. The co-operatives have had some outstanding successes in localities where there was a culturally united population supporting them.

What is the hope in the people who give up their time and invest their money to make co-operatives a success? It does not seem to be confined solely to the lowering of prices. Those who participate actively in their co-operative say it is literally a school in economic democracy, where one learns by facing day by day the practical problems of supplying needs efficiently and justly. Many religious leaders have declared that there is a high ethical value in consumer co-operation in that individual competition for selfish gain is supplanted by working together for the common welfare. The growth of interest among the churches is one of the most notable developments in the co-operative movement during the past three years.

Others have the hope that it will, in time, have a profound influence on the whole distributing part of the economic system. The experience in England, Sweden, and other democratic countries in Europe indicates that when co-operatives do 10 to 30 per cent of the retail trade of a nation they become stabilizing influences, that they may affect retail prices to the advantage of the consumer, and that

they become "yardsticks," which furnish an additional incentive for private business to eliminate wastes, to reduce costs and to serve consumers more efficiently. In no nation has co-operative business completely supplanted private business.

So far the volume of co-operative business is not very large in the United States. It is estimated at between 1 and 2 per cent of the retail business of the nation. But the co-operatives have been growing, especially during the depression. The farmers have about 8,500 marketing associations and 2,000 purchasing associations, making a total of 10,500. There are an estimated 5,000 consumer co-operatives of various types, including about 2,000 gas and oil stations and 100 grocery stores. In addition there are more than 6,000 credit unions, or small co-operative banks.

Can these co-operatives expect to affect the great volume of distribution in the United States? Can they expect, in time, to set up factories of their own, as they have done in England, and, without profit, manufacture goods for wide and cheap distribution through the local co-operatives? Certainly many of the devoted supporters of the idea hope to do exactly that. And in the course of doing that they expect to develop a democratically controlled economic system that will be more stable, and also more efficient than the present one.

## **Controversy**

Like all proposed changes in the economic system such as labor unions or public power, consumer co-operatives have aroused a bitter controversy. It is impossible to do more than indicate where the conflict lies. When the co-operatives apply themselves to selling, other selling agencies feel pinched. When they move into the field of production, other producing agencies—and the investors in them, resent the new competition.

People who heartily support co-operatives say: "The consumers' co-operative is simply the American principle of democracy at work

in our economic life. It will reduce waste, spread purchasing power, save money, give people valuable experience in working together and put idealism into concrete action. Co-operatives are among the few organizations that believe in open membership, welcoming all people regardless of race, religion, politics, or economic or social status. Consumer co-operation is the classless organization and in the long run will remove the class antagonisms that now prevail. In the co-operative movement lies the hope of peace between the nations. As Kagawa has said, 'When we have a good system of Christian co-operatives operating between Japan and China, we shall not have capitalistic imperialism and explosions of war violence.'

Those who strongly oppose them say: "The consumer co-operative is a threat to private business, to individual initiative and enterprise. It is a radical organization, whose development leads directly to the overthrow of the profit system. The co-operatives, if they spread,

CO-OPS 10,500 operated by  
farmers in 1936





will put hundreds and thousands of merchants and retailers out of business. The co-operative movement is simply a selfish appeal to consumer interests, and an opportunity for ambitious leaders to get power. It introduces divisive lines into the community by creating new antagonisms. It tends to be inefficient, for democracy does not work well in business where centralized control and flexibility of operation are needed. It is a fad, and when the first enthusiasm wears off, we shall still have to look to private enterprise for the efficient serving of the consumer."

The reader's reconciliation of these conflicting claims will be in terms of facts and beliefs. What do the facts show? What kind of a nation should the American people build? Do the facts show that one system or another can best build that kind of a nation?

## WHAT WOULD YOU DO?

1. Your neighbor, Ralph Jones, is an independent retail grocery store owner. He hears that a co-operative and a chain store are both considering locating in his neighborhood. He dislikes the idea of more competition. Which one of the two stores does he find himself objecting to most? Why?

2. A group in your town is organizing to form a buying club, out of which later they hope to create a co-operative store. You are asked to join the group and to purchase your goods co-operatively. But you are personally acquainted with the independent retailer and are reluctant to shift your business from him to this new group. What consideration will lead you to act one way or the other?

3. Mrs. Edwards believes that co-operatives are a good thing. But she is uncertain about the co-operative in her own community. The president of it has been connected with so many new organizations, most of which have failed. Should Mrs. Edwards join the local co-operative and use her influence to hold it to sound business and co-operative principles, or should she wait a few months to see whether or not it "folds up"?

4. John Gray has much criticism to offer about the local chain store. He is attracted to the idea of consumer co-operation. But he fears that a proposed store can be put on a sound basis only by much volunteer work in the evenings. He is tired at the end of the day. Should he be persuaded to give his evenings to the co-operative or should he remain content with the inadequacies he finds in the chain store?

## *WHERE TO BEGIN*

1. Have each member of a group or class jot down an illustration of some major difficulty as a consumer, and see which difficulties are most frequently marked.
2. Have several members of the group each read a book on the subject, describing co-operatives here, in England, and in the Scandinavian countries, and report (a) as to the facts (b) as to the principles and beliefs underlying the co-operatives described.
3. Find out what services your local, state, and national governments are trying to give to the consumers.
4. Visit the office of a co-operative and try to find out why people are supporting it.
5. Clip and study newspapers on consumer items and listen to radio addresses. Analyze the facts and theories presented.
6. Collect declarations of statements by religious leaders on consumer questions or pronouncements by religious bodies, and see what the underlying beliefs are.

## *QUESTIONS TO THINK ABOUT*

1. What should be the main purpose of consumer co-operatives—cheaper goods? Better goods? Union-made goods? What else?
2. How do co-operative principles differ from the set-up of general retail business?
3. Do you consider co-operatives to be an undergirding of democracy?
4. Which groups are apt to be most interested in consumer co-operation—farmers, workers, professional people, business men, middle class people, churchmen? Why?
5. Is it fair for the consumer to shift his business from an independent merchant to a chain store? To a co-operative?
6. Do you consider co-operatives to be a stabilizing force within capitalism or an influence tending towards its overthrow?

# Educational Methods for ECONOMIC ISSUES

## The Group Discussion

The truly democratic educational method is the group discussion. It encourages the participation of everyone present. It subordinates the opinions of the leader. It makes possible a co-operative search for truth.

The person organizing a series of group discussions will want to keep these points in mind:

*The setting* should be informal and pleasing. Meet in a room just large enough to accommodate the number expected. Arrange for comfortable chairs, and put them in a circle. The atmosphere should be as near that of a living room as is possible. Members of the group should be introduced and made to feel cordially welcome.

*The leader* should have a general grasp of the subject to be discussed. His responsibility is to encourage participation of all persons, to see that varying points of view are expressed and defended, to bring in the available facts. He will find a blackboard useful for stating points of agreement and disagreement, and for charting the progress of the discussion. The leader should remember that his task is not to dogmatize for the group but to encourage the group's own thinking.

*Factual material* may be brought into the discussion in varied ways.



The leader may wish at each session to present an impartial statement of the issue before the group. He may ask several members to make brief presentations of phases of the subject on which they have done some reading. Each member of the group should of course have read this *Primer of Economics*.

*Getting started* can be made easy. If the group is slow to talk, plan a "true and false test." List a number of statements, some obviously true, others plainly false, and a number of them controversial. (Two such tests appear on pp. 32 and 62.) Give the group pencils and paper, and let them mark the statements as true or false. Count the votes. Note where the disagreements are. Then ask some participants why they said a particular statement is true, and others why they declared it to be false. Immediately you are off to a good discussion.

*Local color* is always desirable. Before your meeting, try to get some of the information listed in "Where to Begin" section of each chapter. Occasionally you might want to bring in some outsider to give you the data at firsthand. Remember, however, that you kill your group discussion if you go in for speeches.

## **Sermon and Open Forum**

The pastor will want to preach at least once during this educational period on the relation of religion to economic issues. (On p. 94 we have listed background reading.) Churches will want to plan a series of forums or supper meetings, to which competent speakers are invited. If two speakers are invited, let one present the affirmative and one the negative on the subject to be discussed. Encourage questions and comments from the audience.

## **The Panel Discussion**

For a good panel discussion, select five or six men and women who know something about the subject under consideration but whose

points of view differ. Seat them informally around a table on the platform. Your chairman—the most alert person you can get—introduces the members of the panel to the audience and briefly presents the subject for discussion. Then, to start things off, he asks one person to state his reaction to a given proposition or opinion. No speeches are allowed, only conversation. Other members of the panel may break in at any time, asking questions, disputing statements. A lively informal discussion should result. The chairman's chief endeavor is to get everyone to express himself, and he attempts so to guide the discussion that many or all phases of the question under review are explored. Usually no specific conclusions are reached, but there is a helpful airing of diverse opinions. When the discussion is stopped, after an hour or somewhat longer, questions from the floor are encouraged.

In your various panels include business men, workers, professional men, housewives, social workers, politicians, labor leaders, members of co-operatives and of farm organizations, etc.

The leader will find it useful to read *How to Lead a Discussion*, by Leroy E. Bowman, 35c., and *Creative Discussion*, by A. D. Sheffield, 50c. Also *Adult Education—A Dynamic for Democracy*, by Dorothy Hewitt and Kirtley Mather, \$1.50.

# Readings on ECONOMIC ISSUES

NOTE: *The pamphlets and study packets here listed can be obtained from the Council for Social Action, 289 Fourth Avenue, New York, N. Y. When ordering, please pay in advance by check, money order, or stamps. Add postage costs: on study packets, 10c. if east, and 15c. if west, of the Mississippi; on pamphlets, 1c. each. Books may be obtained through Association Press, 347 Madison Avenue, New York.*

## Unemployment and Relief

### CURRENT ARTICLES

Consult the *Readers Guide to Periodical Literature* in your library for articles on all the economic issues discussed in this handbook.

### PAMPHLETS

*Social Security in America*, SOCIAL ACTION, 1936, 10c.

*This Question of Relief*, by Maxwell S. Stewart, Public Affairs Committee, 1938, 10c.

*Growing Unemployment—Decreasing Relief*, Methodist Federation for Social Service, 1938, 5c.

*Unemployment in 1937*, Reprint from *Fortune*, 15c.

*Federal Relief—What Next?* by John C. Gebhart, National Economy League, 1936, 10c.

### STUDY PACKET

*Social Security*, Council for Social Action, 25c. plus postage.

(Contains, among other items, *Social Security in America*.)

### BOOKS

*Insecurity: A Challenge to America*, by Abraham Epstein, 1936, \$4.00.

*Social Security*, by Maxwell S. Stewart, 1937, \$3.00.

*Problem of Unemployment*, by Paul H. Douglas and A. Director, 1931, \$3.50.

*Economic Backgrounds of the Relief Problem*, by J. P. Watson, 1937, \$2.00.

## Farm Prices

### PAMPHLETS

- Changing Rural America*, by Ferry L. Platt, SOCIAL ACTION, 1937, 10c.  
*Uncle Sam and the Farmer*, by Ferry L. Platt, SOCIAL ACTION, 1938, 10c.  
*Farmers Without Land*, by Rupert Vance, Public Affairs Committee, 1937, 10c.  
*The Tenant Problem in American Agriculture*, National Association of Manufacturers, 1937, Free.  
*Farm Tenancy in the United States*, Chamber of Commerce of the United States, 1937, Free.  
*Farm Policies Under the New Deal*, Public Affairs Committee, 1938, 10c.  
*Rich Land, Poor Land*, by Stuart Chase, League for Industrial Democracy, 1937, 15c.

### STUDY PACKET

- Rural Life*, Council for Social Action, 25c. plus postage.  
 (Contains, among other items, a number of government pamphlets and *Changing Rural America*.)

### BOOKS

- The American Farmer and the Export Market*, by A. A. Dowell and O. B. Jesness, 1934, \$2.00.  
*The United States, A Graphic History*, by Louis Hacker, 1937, 75c.

## Labor Unions

### SOCIAL ACTION PAMPHLETS (10c. each)

- Problems of Organized Labor*, 1936.  
*Why Did the Auto Workers Strike?* 1937.  
*Steel and Men*, by Harold O. Hatcher, 1937.  
*Should Labor Unions Be Regulated?* 1937.  
*The Labor Spy*, by Gordon Hopkins, 1937.

### PAMPHLETS

- Introduction to American Trade Unionism*, by Elsie Gluck, Affiliated School for Workers, 1937, 35c.  
*The Christian Attitude Toward Labor*, by James Myers, Federal Council of Churches, 1937, 5c.  
*Shall Strikes Be Outlawed?* by Joel Seidman, League for Industrial Democracy, 1938, 15c.  
*The Labor Relations Act in Operation*, Chamber of Commerce of the United States, 1937, Free.  
*Report on Labor Responsibility and Control*, City Club of New York, 1937, Free.  
*Compulsory Arbitration of Labor Disputes*, National Association of Manufacturers, 1938, Free.



## BOOKS

*When Labor Organizes*, by Robert R. R. Brooks, 1937, \$3.00.

*Religion and Public Affairs*, edited by H. F. Rall, 1937, \$2.00.

(Heber Blankenhorn contributes a chapter on labor to this symposium honoring Bishop Francis J. McConnell.)

*American Labor Struggles*, by Samuel Yellen, 1936, \$3.50.

*Labor Problems in American Industry*, by C. R. Daugherty, 1933, \$3.50.

## Tariffs and Trade

## PAMPHLETS

*The New Deal and Tariff Policy*, by Frank W. Fetter, University of Chicago, 1937, 25c.

*The American System and the Hull Trade Program*, by Raymond Leslie Buell, National Peace Conference, 1938, 25c.

*America Must Act*, by Francis B. Sayre, World Peace Foundation, 1936, 35c.

*Peaceful Change: The Alternative to War*, by C. M. Eichelberger and W. T. Stone, National Peace Conference, 1937, 10c.

*Wanted, A Logical Tariff Policy*, by W. L. Monroe, American Tariff League, 1937, Free.

*Inconsistencies of the Trade Agreement Policies*, by W. L. Monroe, American Tariff League, 1938, Free.

*Reciprocal Trade Agreements: Hurting or Helping the Country?* U. S. Department of Agriculture—Extension Service, 1937, Free.

## BOOKS

*Picking America's Pockets*, by David L. Cohn, 1936, \$2.75.

*Reciprocity*, by William S. Culbertson, 1937, \$3.00.

(A defense of the Trade Agreements Act.)

*Why Quit Our Own?* by George M. Peek and Samuel Crowther, 1936, 50c.

(An attack on the Trade Agreements Act.)

*The New Deal and Foreign Trade*, by A. E. Taylor, 1935, \$3.00.

(An argument against the New Deal policies.)

## Electric Utilities

## PAMPHLETS

*The Case for Private Ownership of Electric Utilities*, Edison Electric Institute, 1936, Free.

*Comparison of Municipal and Company Rates*, Edison Electric Institute, 1936, Free.

*America's Struggle for Electric Power*, by John Bauer, League for Industrial Democracy, 1935, 10c.

*Public Ownership, Here and Abroad*, by Harry W. Laidler, League for Industrial Democracy, 1931, 15c.

*Within the Law* (Story of the "Insull Empire."), SOCIAL ACTION, 1935, 10c.

BOOKS

- You, Utilities, and the Government*, by Ernest Greenwood, 1935, \$2.00.  
 (Criticism of the Roosevelt administration's public utilities policies.)  
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 (Summarizes the findings of the Federal Trade Commission in its three years' investigation of the Power industry.)  
*Electricity: For Use or for Profit?* by Bernhard Ostrolenk, 1936, \$2.00.  
*Government Experimentation in Business*, by W. M. Persons, 1934, \$2.50.  
*Public Utilities and the People*, by W. A. Prendergast, 1933, \$3.00.  
 (Formerly chairman of the N. Y. Public Service Commission, later Vice-President, Long Island Lighting Company.)  
*The Power Fight*, by H. S. Raushenbush, 1932, \$2.00 (paper, \$1.00).

Consumer Co-operatives

PAMPHLETS

- Co-operatives*, by R. A. Goslin, Foreign Policy Association, 1937, 25c.  
*Consumer Co-operation: A Social Interpretation*, by Harry W. Laidler and Wallace Campbell, League for Industrial Democracy, 1937, 15c.  
*Co-operative Business Enterprises Operated by Consumers*, by Chamber of Commerce of the United States, 1936, Free.  
*Fundamentals of Consumer Co-operation*, by V. S. Alanne, Northern States Co-operative League, 1935, 25c.

STUDY PACKET

- Co-operatives*, Council for Social Action, 50c. plus postage.  
 (Includes *Co-operatives*, by Foreign Policy Association.)

BOOKS

- Consumer Co-operation in America*, by Bertram B. Fowler, 1936, \$2.00.  
*Co-operative Democracy*, by J. P. Warbasse, 1936, \$2.50.  
*Sweden, the Middle Way*, by M. W. Childs, 1936, \$2.50.

## Readings on the Social Gospel

### Books

- Social Salvation*, by John C. Bennett, 1935, \$2.00.  
*Christianity—and Our World*, by John C. Bennett, 1936, 50c.  
*The Church and Society*, by F. Ernest Johnson, 1935, \$1.50.  
*Christian Faith and Economic Change*, by Halford E. Luccock, 1936, \$2.00.  
*Creative Society*, by John Macmurray, 1936, \$1.50 (paper, 15c.).  
*Moral Man and Immoral Society*, by Reinhold Niebuhr, 1932, \$2.00.  
*The Kingdom of God in America*, by Richard Niebuhr, 1937, \$2.00.  
*Christianizing the Social Order*, by Walter Rauschenbusch, 1912, \$2.00.  
*Towards the Christian Revolution*, by R. B. Y. Scott, Gregory Vlastos, John Line, and others, 1937, \$2.00.  
*Economics and the Good Life*, by F. Ernest Johnson, and others, 1934, \$1.00.  
*The Church and its Function in Society*, by W. A. Visser 't Hooft and J. H. Oldham, 1937, \$2.00.  
*Our Economic Morality and the Ethic of Jesus*, by Harry F. Ward, 1929, \$2.50.

### PAMPHLETS

- Christian Social Action*, by Hugh Vernon White, SOCIAL ACTION, September 15, 1937, 10c.  
*Social Action Primer*, by Margueritte Bro and Alfred Schmalz, SOCIAL ACTION, January 15, 1937, 10c.  
*Christian Materialism*, by F. J. McConnell, Missionary Education Movement, 1936, 60c.  
*The Church and the Economic Order* (Oxford Conference Study Series), Universal Christian Council, 15c.

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